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THE UNIVERSITY OF ALBERTA

FEEDER CATTLE MARKETING IN SOUTHERN ALBERTA

by

HARRY DAMON HANEY

(C)

A THESIS

SUBMITTED TO THE FACULTY OF GRADUATE STUDIES

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE

OF MASTER OF SCIENCE

DEPARTMENT OF AGRICULTURAL ECONOMICS AND RURAL SOCIOLOGY

EDMONTON, ALBERTA

FALL, 1974

UNIVERSITY OF ALBERTA

FACULTY OF GRADUATE STUDIES

The undersigned certify that they have read and recommend to the Faculty of Graduate Studies for acceptance a thesis entitled "Feeder Cattle Marketing in Southern Alberta," submitted by Harry D. Haney in partial fulfilment of the requirements for the degree of Master of Science.

.....

Supervisor

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Date June 20, 1974.

ABSTRACT

Data were collected from producers, feedlot operators, and auction markets with a view to analysing the feeder cattle market in southern Alberta.

Although producers had experienced numerous problems with the auction markets, they showed an increasing tendency to favor this channel when marketing feeder cattle. While empirical evidence is not available, it would appear that increased utilization of the auction market system had a positive influence on the exchange aspect of market efficiency but a negative influence on the operational aspect of market efficiency.

Although both producers and feedlot operators saw advantages in preconditioning, they did not agree upon what should be included in a preconditioning program.

Although the majority of producers and feedlot operators felt that they were receiving adequate amounts of accurate information, they noted a problem in the method in which feeder cattle were identified. The market information letter which was distributed by several of the auction markets in the study was felt to be most useful as a source of information for producers. Canfax was not used extensively in the study area.

The study recommended, among other things, the

development and implementation of an identification system for feeder cattle. It also suggested the increased use of Canfax as a method of improving market information.

ACKNOWLEDGEMENTS

Many people have provided a great deal of aid, encouragement and cooperation and I wish to extend to them my sincere thanks.

The study would not have been possible without the financial assistance of the Alberta Cattle Commission and the Alberta Agricultural Research Trust Fund, and the cooperation of numerous producers, feedlot operators and auction market managers.

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CHAPTER I

INTRODUCTION

The Importance Of The Cattle Industry

Receipts from the sale of cattle have been a major source of income for the agricultural sector of the of the Canadian economy. Table 1.1 shows that, with the exception of 1964, cattle have contributed in excess of 20 percent to Canada's total farm cash income over the past twenty years. In 1971 Canada's livestock industry accounted for more than one billion dollars, or approximately 24 percent of the country's annual farm cash income.[1] To illustrate the relative prominence of the cattle industry in Canada's agricultural economy, it is important to note that in 1971, income received from the sale of cattle was greater than that received from the sale of all cereal crops combined.[2]

Considering the distribution of human population within the country, Alberta has contributed more than its proportional share to both the feeder cattle and slaughter cattle segments of the Canadian livestock industry. In 1971, of the 5,604,000 beef and milk cows on Canadian farms, 1,430,000, or approximately 26 percent, were located in Alberta.[3]

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[1] Canadian Cattlemen's Association, Proceedings of the Planning for Profits Seminar, Section F (Calgary, 1972)

[2] Ibid.

[3] Statistics Canada, Report on Livestock Surveys, Cat. No. 23-004 (Ottawa: DBS, 1971).

TABLE 1.1

INCOME FROM THE SALE OF CATTLE AS A PERCENTAGE OF TOTAL FARM CASH INCOME, (000'S)

	1951[1]	1961[2]	1962[2]	1963[3]	1964[4]	1965[4]	1966[4]	1967[4]	1968[5]	1969[5]	1970[5]	1971[6]
Income From The Sale of Cattle and Calves	486,707	628,842	680,055	631,495	640,507	789,984	915,581	929,723	980,392	964,115	974,092	810,000
Total Farm Cash Income Before Subsidies	2,213,226	2,951,862	3,154,240	3,197,881	3,490,896	3,806,096	4,253,179	4,376,776	4,354,546	4,182,101	4,108,581	3,325,000
Income From The Sale of Cattle As A Percentage of Total Farm Cash Income	22%	21%	22%	20%	18%	21%	22%	21%	23%	23%	24%	24%

[1] Statistics Canada, Canada Year Book 1953 (Ottawa: Information Canada, 1953), p. 402. Figures quoted exclude Newfoundland.

[2] Statistics Canada, Canada Year Book 1965, pp. 463-464.

[3] Statistics Canada, Canada Year Book 1968, p. 495.

[4] Statistics Canada, Canada Year Book 1970-71, p. 984.

[5] Statistics Canada, Canada Year Book 1972, p. 553.

[6] Statistics Canada, Farm Cash Receipts, Cat. No. 21-001 (Ottawa: DBS, January, 1974).

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[5] Statistics Canada, Canada Year Book 1972, p. 553.

[6] Statistics Canada, Farm Cash Receipts, Cat. No. 21-001 (Ottawa: DBS, January, 1974).

Assuming total cows, beef and milk, a reasonable proxy for the number of feeder cattle produced, the above figures illustrate the major contribution made by Alberta to the feeder cattle segment of Canada's livestock economy in 1971.

Notwithstanding Alberta's contribution to the feeder cattle segment of the Canadian livestock industry, the province has in recent years become a major contributor to the slaughter cattle segment. In 1971, Alberta contributed 1,048,067 head to the Canadian inspected slaughter of 3,088,808 head.[1] Since a substantial proportion of the cattle slaughtered in Alberta are supplied by Alberta feedlots, the 1971 slaughter provides a reasonable proxy for the number of cattle on feed. The relative magnitude of these numbers adequately illustrates Alberta's contribution to the Canadian cattle industry and thereby to the agricultural sector of the Canadian economy.

The Beef System

Before considering feeder cattle marketing in southern Alberta, it is imperative that one recognize the organizational elements of the livestock industry which logically determine the environment within which the feeder

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[1] Anne McLean Bullen, "Beef Packing: Location and Operation" (Unpublished M.Sc. Thesis, Department of Agricultural Economics and Rural Sociology, University of Alberta, 1972), p. 35.

cattle market functions. the organization of the livestock industry may be viewed as a beef system consisting of: (1) seed stock production; (2) cow - calf operations; (3) the feedlot sector; (4) the packer sector; and (5) the wholesale-retail distribution sector.[1] Were the system totally disintegrated,[2] one would observe price determining forces operating in four different markets throughout the system; that is, market forces would be in operation between each sector. This is, of course, not the case in all instances, as some sectors in the system are integrated, therby precluding the need for a market to determine the price at which the product will pass from one sector to the next. In the integrated sectors of the beef system, price determination is an internal accounting function, the specific price to be utilized depending upon the potential advantages to be realized.

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[1] Canadian Cattlemen's Association, op.cit.

[2] Disintegrated, in this context, refers to a system in which each sector is independent from every other sector; that is, there is no vertical integration in the system.

While there is certainly some degree of integration in the beef system,[1] it remains relatively non-integrated when compared to other sectors of the agricultural economy. In the majority of cases, the market system is utilized in determining the price at which the product moves from one producing sector to the next. The feeder cattle market is therefore an integral part of this system as it provides the interface between the cow-calf sector and the feedlot sector. In this non-integrated system, the feeder cattle market is the first point of exchange in the progression from cow-calf production to the sale of beef at the retail level. An efficient feeder cattle market, therefore, contributes to the desirable performance of the system.

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[1] Specifically, the wholesale distribution and retail distribution sectors of the system are virtually totally integrated and for this reason are considered one sector. There is some degree of integration between the other sectors as well, but there still exists a sufficient measure of non-integration to necessitate the operation of a market as the basis for arriving at a price at which the commodity will be exchanged.

From interviews conducted during the summer of 1972, there would appear to be an increased tendency toward the integration of producing sectors. This is especially noticeable between the cow-calf sector and the feedlot sector, as an increasing number of cow-calf producers are utilizing the facilities of the custom feedlot thereby retaining ownership as the calves are fattened for slaughter. At the time of writing, this activity has not reached a sufficient level to pre-empt the market system but there does appear to be a definite movement toward increased integration at this level.

Purpose Of The Study

The intention of the study is to describe and critically analyze the market for feeder cattle in Southern Alberta. A study completed by Hawkins and Hurnanen[1] in 1970 suggested that there were numerous sources of exchange and operational inefficency in Alberta's beef system. As the feeder cattle market in Southern Alberta is part of a larger beef system, one may expect it to be burdened with many of the problems inherent in the larger system. The purpose of the study is to outline the structure, strategy and performance of the feeder cattle market in Southern Alberta with a view to exposing the ineffeciencies in the market and suggesting alternatives which may help to alleviate them.

Plan Of The Study

Chapter I describes the beef system of which the feeder cattle market is a part and discusses the purpose for which the study was undertaken.

In outlining the theoretical framework for the study, Chapter II first defines marketing in both the conceptual and applied sense. the chapter then describes in detail the

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[1] Murray H. Hawkins and Roy R. Hurnanen, Beef Cattle Marketing Problems in Alberta (Unpublished study prepared for the 15th Annual CAES Workshop, Banff, Alberta, June, 1970).

basic marketing concepts of structure, strategy and performance and outlines the meaning of exchange and operational effeciency as background to a discussion of workable competition and market efficiency.

Chapter III outlines production patterns and movement of Canadian feeder and slaughter cattle in domestic and international markets. The last section of Chapter III discusses feeder cattle and fed cattle production within the Province of Alberta.

Chapter IV provides a review of relevant marketing literature from both Canada and the United States and in so doing focuses on marketing trends and changing patterns.

Chapter V provides a statistical review of cattle marketing in the Province of Alberta. Cattle movements are discussed and marketing trends are noted.

Chapter VI reports the results of the study of feeder cattle marketing which was carried out in 1972. The feeder cattle market will be described from: the producer's, the marketing agent's, and the feeder's point of view.

Chapter VII provides conclusions and recommends some possible solutions to problems uncovered in the analysis.

CHAPTER II

THEORETICAL FRAMEWORK

The Concept Of Marketing

In the realm of modern economic theory, marketing has only recently been recognized as a productive process. Prior to that time, a product had been considered a physical thing, thought of in terms of form, shape, dimension, component parts and materials used in production. Production had been conceptualized as the process of contributing to these physical attributes.[1] This concept of production was eventually recognized as unduly narrow and was thus expanded to include a wider range of economic activity.

Present day economists define production as the creation of economic values.[2] Economic values are the logical result of the creation of utility; that is, the process of making useful goods and services.[3] Economic activity adds utility by providing goods or services at the time, at the place, in the form desired, and by transferring

---

[1] Theodore N. Beckman and William R. Davidson, Marketing (8th ed; New York: Ronald Press Co., 1967), p.7.
[2] Ibid ., p.7.
[3] Richard L. Kohls, Marketing of Agricultural Products (3rd ed.; New York: Macmillan Co., 1967), p. 5.

title; that is, economic activity creates time utility, place utility, form utility and possession utility.[1] Kohls explains the distinction between the four forms of utility:

> It is common practice to refer to those who are primarily engaged in the creation of form utility as producers of 'goods'. Those who are primarily engaged in the creation of other forms of utility are usually referred to as producers of 'services'.[2]

Those involved in feeder cattle marketing are "producers of services." In each phase of the marketing chain, value is added to the product and utility is created accordingly. Truckers add place utility by transporting the product from the supplier to the buyer. Time utility is added to the product by the producer or the marketing agent as he holds the product during a time of excess supply and offers it during a time of scarcity. The marketing agent adds possession utility to the product as he accepts the product from the producer and facilitates the transfer of title from seller to buyer. Accepting the concept of production as the creation of economic values leads one to define marketing as a productive process.

Definition Of The Feeder Cattle Market

Having conceptualized marketing as a process concerned

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[1] Willard F. Williams and Thomas T. Stout, Economics of the Livestock-Meat Industry (New York: Macmillan Co., 1964), p. 109.

[2] Kohls, op.cit. p. 7.

with the production of utility it is important to adopt a definition of the market as it applies to this study. A clear definition of the market in question is particularly advantageous given the segmented nature of the feeder cattle market and the analytical problems which result from this segmentation.[1]

Although they are in general agreement, the slight difference in two definitions, one by Bain and one by Beckman and Davidson, illustrates the duality of the feeder cattle market. Bain defines the market very simply as:

> ...including all sellers in any individual industry and all buyers to whom they sell.[2]

Beckman and Davidson define the market in a more sophisticated manner. They see it as:

> ...a sphere within which price making forces operate and in which exchanges of title tend to be accompanied by actual movement of goods affected.[3]

Both definitions do describe the feeder cattle market; however, each takes a slightly different point of view. Bain'S definition implies an aggregate approach to the

---

[1] Most, but not all authors incorporate these four essential elements either implicitly or explicitly into their definition of a market: A buyer and seller must be available. They must have a product to exchange. The buyer and seller must agree upon a medium of exchange (usually money in our modern economy), and an exchange must in fact take place before the transaction may be defined as a market.

[2] Joe S. Bain, Industrial Organization (2nd ed.; New York: John Wiley and Sons, Inc., 1968), p. 7.

[3] Beckman and Davidson, op.cit ., p. 4.

market by including "all buyers" and "all sellers". Beckman and Davidson's definition takes the point of view of the firm by identifying a "sphere" in which "price making forces operate" and "exchanges of title tend to be accompanied by actual movement of goods affected."

While the aggregate feeder cattle market does include "all buyers" of feeder cattle and "all sellers" of feeder cattle, there are several "spheres" in which "price making forces operate" and "exchanges of title tend to be accompanied by actual movement of goods affected." Those separate spheres "in which price making forces operate" are the various marketing channels through which feeder cattle are brought and sold. They include the local auction market, the terminal market,and private treaty sales to the feedlot operator and to the order buyer. Together they constitute the aggregate feeder cattle market.

For the purpose of this study, the feeder cattle market includes all buyers and sellers who function within the various spheres in which price making forces operate and exchanges of title tend to be accompanied by actual movement of goods affected.

Structure, Strategy And Performance

While the main focus of this study is to describe and evaluate the performance of the feeder cattle market, it is necessary to consider both the structure of the market and the strategy[1] employed by participants in the market since structure and strategy together are determinants of performance.

Market structure deals with the organizational characteristics of a market. The most often noted elements of market structure are: concentration of buyers and sellers; degree of product differentiation; barriers to entry of new firms; economies of scale; and price elasticity of demand.[2] Because of its long-term nature, market structure is usually assumed given. Structure incorporates those features of organization which affect the strategy of the firms in the industry; that is, the strategy of firms in the industry is basically a function of the structure in which they exist.

Market strategy is essentially the link between

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[1] In recent literature, strategy is used in place of conduct due to the moral and ethical connotations associated with the latter.

[2] For a more comprehensive discussion of market structure characteristics, see: Richard Caves, American Industry: Structure, Conduct, Performance (2nd ed.; Englewood Cliffs, New Jersey: Prentice Hall, Inc., 1967), p.16; Williams and Stout , op.cit ., p. 146; Bain, op.cit ., p. 7; Richard E. Low, Modern Economic Organization (Homewood, Illinois: Richard D. Irwin, Inc., 1970), p. 5.

structure and performance. Caves outlines the three main components of market strategy as: policies toward setting prices; policies toward setting the quality of product; and policies aimed at coercing rivals.[1] The degree of freedom allowed a business in determining its strategy is dependent upon the structure of the market in which it operates. If the structure is one of perfect competition, the firm has no strategy: If the environment resembles a pure monopoly, the firm, within certain institutional and social constraints, has virtually complete freedom with respect to the strategy it chooses.[2] Between the two extremes of perfect competition and pure monopoly, there lie a wide range of structural characteristics which facilitate a variety of firm strategies. This middle zone, labelled imperfect competition, encompasses all remaining structural and strategic possibilities.

The structural environment within which a firm operates and the degree of freedom afforded market participants in the area of strategy function together in determining the efficiency with which the market performs. This cause and effect relationship takes place in the opposite direction as well. The efficiency with which the market performs affect

---

[1] Richard Caves, op.cit . p. 38. Refer to Low, op.cit ., pp.213-239 and Caves, op.cit. ., pp. 37-54, for a complete discussion of market strategy.

[2] A.A. Warrack, "A Conceptual Frameawork for Analysis of Marketing Efficiency," Canadian Journal of Agricultural Economics , Vol. 20, No. 3 (Nov., 1972), p. 14.

the strategy employed by the participants in the market and the two together have, in the long term, an effect on the structural design of the market in question.

Market performance is a measurement of efficiency in two areas: exchange efficiency[1] and operational efficiency. Exchange efficiency is concerned with the accuracy, rapidity and effectiveness with which marketing information is developed and disseminated. It is also concerned with the costs associated with providing the level of accuracy, speed and effectiveness attained.[2] Operational efficiency is concerned with physical efficiency. "An operationally efficient marketing system is one in which the output of useful marketing services is large relative to inputs of labor, capital and land, and other resources utilized in marketing."[3]

---

[1] Exchange efficiency is used herein in place of the more conventional, but more narrowly defined, pricing efficiency. Although pricing is the major component, quantity of product and quality of product are also important determinants of the terms of exchange.

[2] Williams and Stout, op.cit ., p. 122.

[3] Ibid ., p. 121.

Competition Versus Market Efficiency

Clark identifies competition as:

> ...an indispensable mainstay of a system in which the character of products and their development, the amount and evolving efficiency of production, and the prices and profit margins charged are left to the operation of private enterprise.
>
> ...it is a crucial feature (in his concept of private enterprise) that the customer should be in a position to exert effective discipline over the producer in these aspects.[1]

Alluding to competition as characteristic of the private sector, Clark recognizes responsibility to the customer (either buyer or seller) as a necessary trait of competitive behavior. This recognition is of particular importance as it suggests a method of identifying and measuring competition. In order for firms to be responsible to their customers, it is imperative that the industry demonstrate relatively small concentration ratios. There must be a large number of firms relative to the number of customers, with no one firm having an excessive market share. As individual firms become large relative to aggregate demand, there is a greater opportunity for collusion of some type to exist. Any form of collusion implies a lesser degree of competition. The concentration

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[1] J.M. Clark, Competition as a Dynamic Process (Washington,D.C.: The Brookings Institution, 1961), p.9.

ratio in the industry is therefore a reasonable proxy for the measure of competition displayed by the industry.

Market efficiency is a function of both operational efficiency and exchange efficiency. Therefore a judgment of performance based solely on operational efficiency or exchange efficiency is incomplete.[1]

The necessity of considering both operational efficiency and pricing efficiency is emphasized by the fact that there often exists a trade-off between operational efficiency and exchange efficiency. As Warrack submits:

> When a trade-off relationship exists, marketing efficiency is maximized by equalizing the gain in one component (of market efficiency) with the opportunity cost loss in the other component.[2]

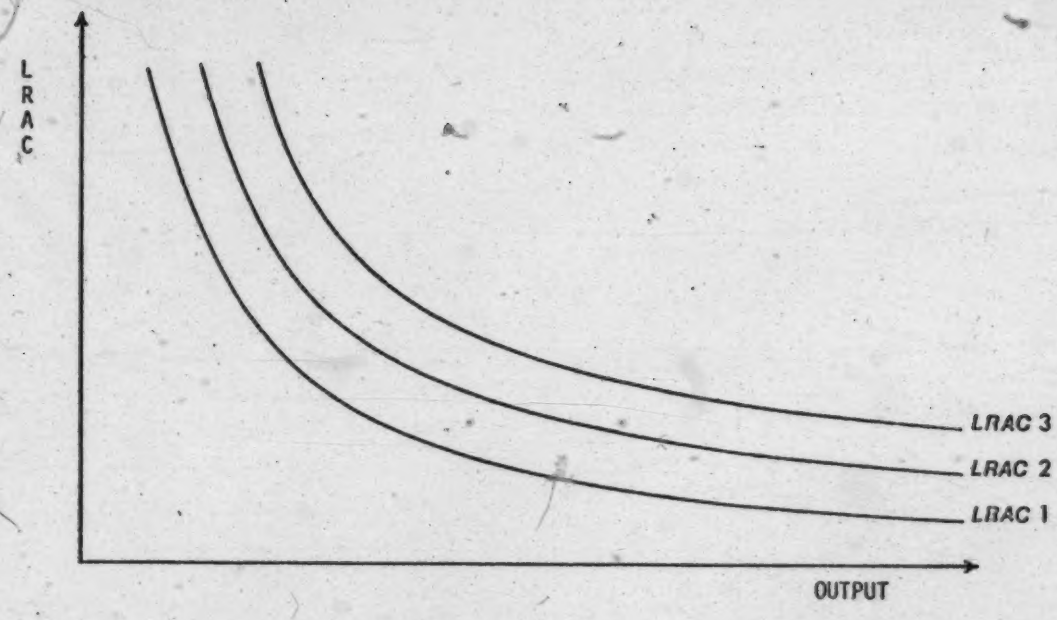
Operational efficiency is measured in terms of the physical cost of producing utility-yielding marketing services.[3] The concept is illustrated diagrammatically in Figure 2.1 Since operational efficiency is concerned with the cost of production it is reasonable to take the absolute level of Long Run Average Cost (LRAC) as a proxy for operational efficiency. In Figure 2.1, the firm with the lowest LRAC (designated LRAC 1) would be the most

---

[1] Roy R. Hurnanen, "The Alberta Broiler Industry" (Unpublished M. Sc. Thesis, University of Alberta, Edmonton, Alberta, 1970), p. 21.
[2] Warrack, op. cit ., p. 9.
[3] Ibid ., p. 16.

FIGURE 2.1

COST LEVELS AND OPERATIONAL EFFICIENCY



Source: A.A. Warrack, "A Conceptual Framework for Analysis of Marketing Efficiency," Canadian Journal of Agricultural Economics, Vol. 20., No. 3 (Nov., 1972), p. 12.

operationally effecient. That firm with the highest cost structure (designated LRAC 3 in Figure 2.1) would be the least operationally efficiency. Williams and Stout outline the source of this difference in efficiency:

> Physical efficiency in marketing is determined by the productivity of the labor, capital, and management utilized; that is, by the value added or margin per unit of input for these factors.[1]

Operational efficiency has definite implications with respect to the competitiveness of firms. A lower cost structure generally signifies a larger firm since a firm with larger output usually has access to all the cost-reducing production options of a smaller firm plus several cost-reducing technologies not available to a smaller firm. In a market of given demand, as firms strive to become operationally efficient, concentration ratios tend to increase. Increased concentration usually results in decreased competition, thus, the relationship between operational efficiency and competition between firms is usually inverse.

Exchange efficiency is measured in terms of how well prices reflect costs.[2] Warrack employs the concept of a "market power wedge" in explaining exchange efficiency and

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[1] Williams and Stout, op. cit., p. 122.
[2] Warrack, op. cit., p. 16.

its relationship to competitive behavior. The "market power wedge" concept is illustrated in Figure 2.2.

In Figure 2.2 the continuous normative cost contour assumes a constant cost structure across all market classes. As the structure of the market diverges from perfect competition, market power increases. The spread between prices and costs becomes greater and exchange efficiency is decreased. As the structure of the market moves toward perfect competition, market power decreases and the spread between prices and costs is narrowed, thus increasing exchange efficiency . The relationship between exchange efficiency and competition is usually direct.

Effective Competition And Market Efficiency

Clark, one of the first to recognize the trade-off relationship between operational and pricing efficiency, originated the concept of effective competition in 1940.[1] Clark furthered the concept in his Competition as Dynamic Process in 1961.

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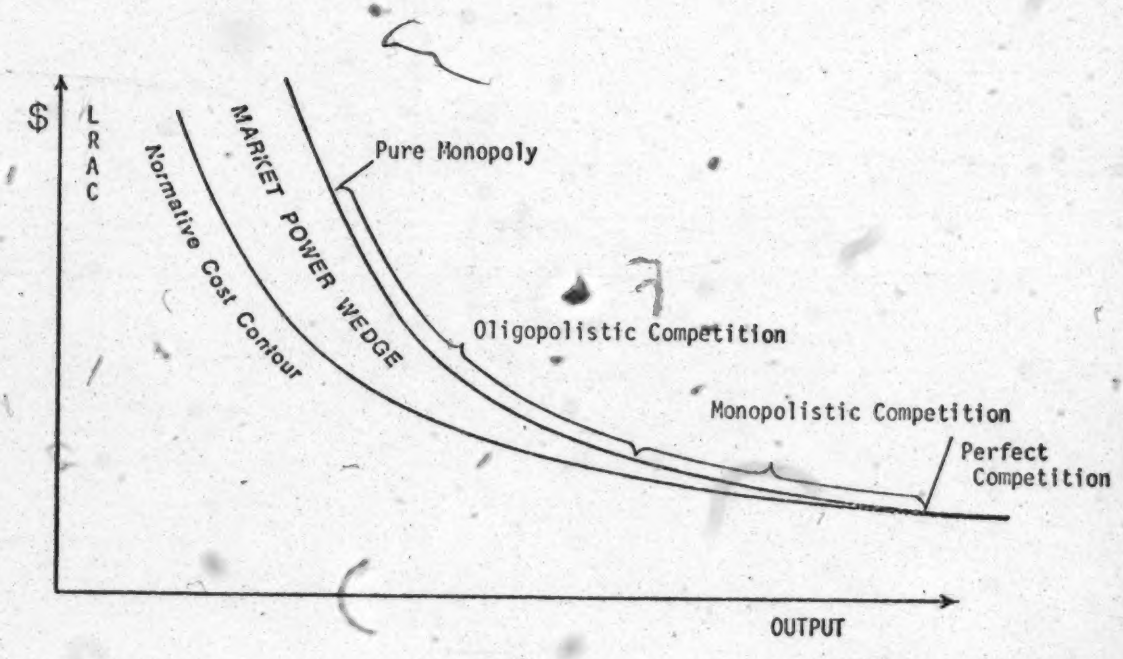
[1] J.M. Clark, "Toward a Concept of Workable Competition," American Economic Review Supplement , Vol. XXX (1940), p. 841.

FIGURE 2.2

EXCHANGE EFFICIENCY AND THE MARKET POWER WEDGE



Source: A.A. Warrack, "A Conceptual Framework for Analysis of Market Efficiency," Canadian Journal of Agricultural Economics, Vol. 20, No. 3 (Nov., 1972), p. 15.

While there have been numerous writings on the subject,[1] the concept has failed to acheive a high status in the profession. Low feels this to be due to the fact that most approaches to the have been too structural in nature.[2] Still, it is Low's belief that: "workable (effective) competition models are essential to industrial organization and that performance approaches are the most hopeful we (the profession) have at present."[3]

Effective competition is a very difficult concept to define. Most authors attempt a definition by listing a number of requirements which they feel to be necessary if a market is to be designated effectively competitive.[4] These definitions tend to be structurally oriented and thereby

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[1] Stephen H. Sosnick, "A Critique of Concepts of Workable Competition," Quarterly Journal of Economics , LXXII (1958), pp.380-423; Stephen H. Sosnick, "Toward a Concrete Concept of Effective Competition," American Journal of Agricultural Economics, . L (1968), pp. 827-853; Corwin D. Edwards, Maintaining Competition (New York: McGraw-Hill Book Co., 1949); Jesse W. Markham, "An Alternative Approach to the Concept of Workable Competition," American Economic Review , Vol XL, No. 3 (1950), p. 139. Besides J.M. Clark , who initiated the concept, Stephen H. Sosnick has been the most noted author in the area of effective competition.

[2] Richard C. Low, op. cit., p. 48.

[3] Ibid .

[4] J.M. Clark, op. cit. , pp. 480-481; Corwin D. Edwards, op. cit ., pp. 9-10; George J. Stigler, "Extent and Bases of Monopoly," American Economic Review , Vol. XXXII, No. 2, Part 2, Supplement (June 1942), pp. 2-3; Stephen H. Sosnick, "Toward A Concrete Concept of Effective Competition," pp. 841-850.

avoid any discussion of performance characteristics which attribute to effective competition.[1] Markham's definition is an exception in that it is both concise and performance oriented. Markham defines effective competition in the following context:

> An industry may be judged to be workably (effectively) competitive when, after the structural characteristics of its market and the dynamic forces that shaped them have been thoroughly examined, there is no clearly indicated change that can be effected through public policy measures that would result in greater social gains than social losses.[2]

In his recent article, " A Conceptual Framework for Analysis of Market Efficiency " [3], Warrack utilizes the "market power wedge" (MPW) notion in developing an understanding of the concept of effective competition and its relationship to market efficiency.

In the previous section, the absolute level of LRAC is accepted as a proxy for operational efficiency (refer to Figure 2.1) and the MPW (the difference between prices and costs) is adopted as proxy for exchange efficiency.

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[1] Sosnick is an exception in this case as most of his 25 conditons of effective competition tend to be performance oriented.

[2] Jesse Markham, "An Alternate Approach to the Concept of Workable Competition," American Economic Review , Vol. XL, No. 3, (1950), p. 361.

[3] Warrack, Op. cit .

Although cost structures are assumed constant with differing market structures in Figure 2.2,[1] they do vary in Figure 2.3. At increasing degrees of imperfect competition, LRAC segments are lower, exemplifying the availability of cost reducing technologies to larger, more imperfectly competitive firms. The continuous LRAC function in Figure 2.3 represents the cost structure associated with the perfectly competitive case.

While Figure 2.3 provides only a conceptual framework, it does illustrate the trade-off relationship which usually exists between operational and pricing efficiency. It also demonstrates the implications of this trade-off with respect to the structural characteristics which facilitate maximized market efficiency. In comparing the perfectly competitive case with the monopolistically competitive case, one notes that exchange efficiency is maximized under the conditions of perfect competition. This is exemplified by the absence of MPW. Operational efficiency, however, is not maximized under conditions of perfect competition. In comparing the two forms of market organization, one notes that the monopolistically competitive case demonstrates a lower absolute level of LRAC than does the perfectly competitive

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[1] In Figure 2.2, cost structures are assumed constant across market classes. Under this assumption, larger, imperfectly competitive firms do not have access to and do not employ cost reducing technologies different from those available to perfectly competitive firms.

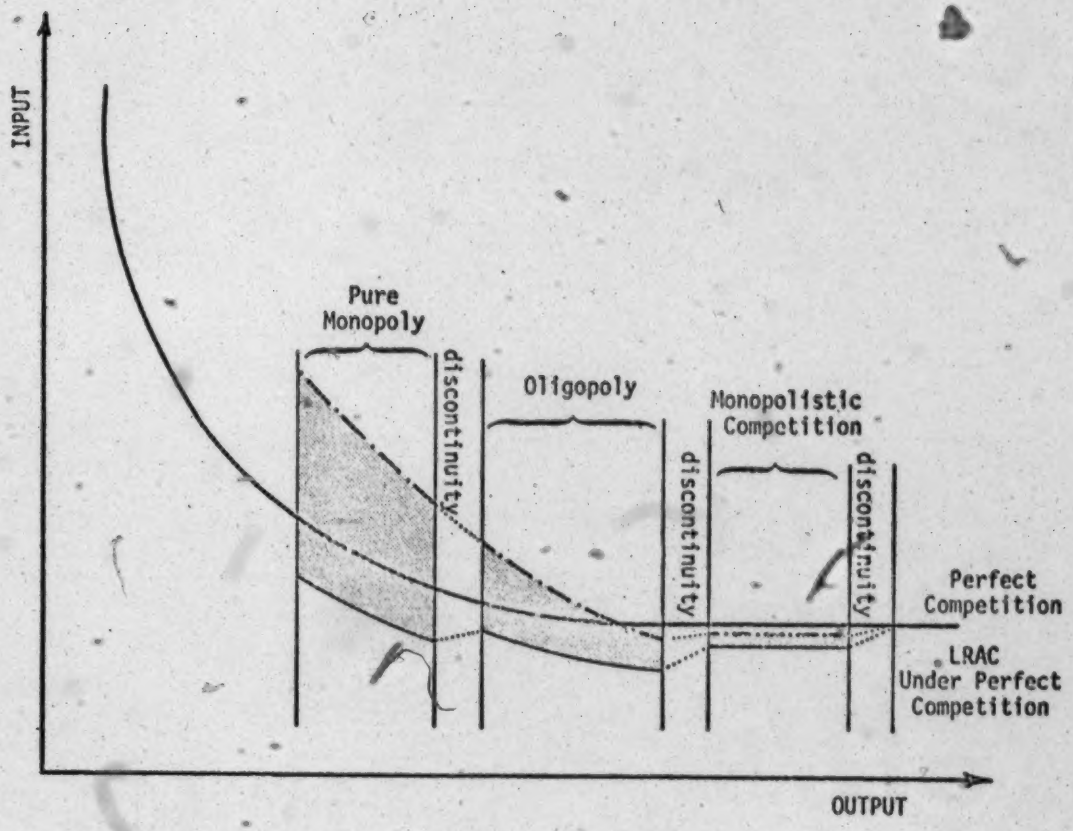
case. While the monopolistically competitive case does demonstrate a higher level of operational efficiency, it exhibits a level of exchange efficiency that is lower than the perfectly competitive case. The divergence between costs and prices and the resultant MPW exemplifies reduced exchange efficiency under the monopolistically competitive situation.

The trade-off relationship between exchange and operational efficiency is apparent from the foregoing discussion. As one moves toward a more imperfectly competitive situation, exchange efficiency is usually lessened (as illustrated by the widening MPW) and operational efficiency is usually increased (as illustrated by the continually lower levels of LRAC). The opposite is the case as one moves toward perfect competition.

The MPW widens appreciably as one moves from the monopolistically competitive case to the oligopolistic case, but in the weak oligopoly , the widened MPW is more than offset by the lower LRAC structure available to the larger firm in the weak oligopoly. As the figure is drawn, the weak obligopoly is that situation demonstrating the most efficient competitive arrangement.

FIGURE 2.3

MARKETING EFFICIENCY: THE TRADE-OFF BETWEEN OPERATIONAL EFFICIENCY AND EXCHANGE EFFICIENCY



The above discussion, while illustrating the concept of effective competition from a performance point of view, also demonstrates that both exchange efficiency and operational efficiency must be accounted for in measuring overall market efficiency. There may be no interdependence or there may be positive interdependence between the two components of market efficiency, but the usual case is negative interdependence. Table 2.1 summarizes the possible cases and the implication which each has regarding overall market efficiency.

TABLE 2.1

MARKET EFFICIENCY AS A FUNCTION OF EXCHANGE AND OPERATIONAL EFFICIENCY

Relationships and Cases	Operational Efficiency	Exchange Efficiency	Implies	Market Efficiency
Independent (p=0) Cases:	i) +	0	->	+
	ii) -	0	->	-
	iii) 0	+	->	+
	iv) 0	-	->	-
Positive Interdependence (p>0) Cases:	i) +	+	->	+
	ii) -	-	->	-
Negative Interdependence (p<0)	i) + (large)	- (large)	->	?
	ii) + (large)	- (small)	->	+
	iii) + (small)	- (large)	->	-
	iv) + (small)	- (small)	->	?
	v) - (large)	+ (large)	->	?
	vi) - (large)	+ (small)	->	-
	vii) - (small)	+ (large)	->	+
	viii) - (small)	+ (small)	->	?

Let p = the nature of the relationship between operational efficiency and exchange efficiency.

Source: A.A. Warrack, "A Conceptual Framework for Analysis of Market Efficiency," Canadian Journal of Agricultural Economics, Vol. 20, No. 3 (June, 1973), p. 19.

Market Information And Market Efficiency

Accurate and readily available market information is a major contributor to the efficient performance of a marketing system in both exchange and operational efficiency. Besides the availability of accurate information, an efficient marketing system depends upon the intelligent utilization of such information. Williams and Stout allude to this reality in their chapter on marketing information:

> In the process of change and adjustment..., prompt, intelligent responses to changing market conditions are required. Slow or inexact responses and poor performance can be expected under conditions in which decisions are made in the absence of relevant facts or by men unable to interpret facts with which they are provided.[1]

There are several conditions which must be met in order to insure an efficient exchange system:

> 1. All buyers and sellers must be adequately informed.
>
> 2. All buyers, all sellers, and all buyers and sellers in dealing with one another, must be about equally informed.[2]

An effective marketing information system has a direct effect on exchange efficiency in that it provides accurate

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[1] For a thorough treatment of the topic refer to Williams and Stout, op.cit ., pp. 445-446.

[2] Kenneth J. McCallister, "The Role of Market News in Marketing and Some Problems," Journal of Farm Economics , Vol. XXXII, No. 4 (1950).

data on factors affecting prices and disseminates this information quickly and widely throughout the system. The result is a freer, more honest and competitive marketing system.[1]

The marketing information system makes a contribution to operational efficiency as well, although the effects are sometimes more indirect:

> By reducing uncertainty, costs associated with risk assumption in buying, selling and owning agricultural products are reduced. Physical handling costs also are affected by reducing the incidence of uneconomic or untimely decisions... . By facilitiating trading between buyers and sellers marketing information reduces costs of shipping agricultural products to some central point for the purpose of determining value.[2]

Since the feeder cattle market is already physically segmented, the availability of accurate marketing information is a major determinant of efficient market performance. The lack of adequate and accurate information tends to further segment the market. Where accurate and timely marketing information is not available, decisions with respect to which marketing channel should be utilized are made on other than a sound economic basis. This kind of decision -making tends to give a great deal of market power to the selling agent. As the preceeding discussion

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[1] Ibid ., p. 446.
[2] Ibid ., p. 447.

suggests, some degree of market power may be desirable as it tends to improve the potential for operational efficiency to exist in the system. While it may tend to promote operational efficiency, excessive market power has the undesirable effect of increasing the potential for inefficiencies in the area of exchange.

Summary

Chapter II, in providing a theoretical base for the study, prescribes a means of evaluating the performance of the feeder cattle market in Souther Alberta. A definition of the feeder cattle market is discussed in both the conceptual and the applied sense as a prerequisite to understanding the complexities of this market.

The industrial organization concepts of structure, strategy and performance lead to a discussion of competition and market efficiency and the trade off which may exist between the two. Consideration of the possible trade-off between competition and market efficiency is particularly applicable to the feeder cattle market. For example, while a seller of feeder cattle may experience increased exchange efficiency which supposedly accrues from increased buyer competition when selling his cattle through the local auction, the loss in operational efficiency resulting from stress, shrink and rough handling at the auction market may

more than offset his gains in exchange efficiency.

The possibility of a trade-off between market efficiency and competition leads one to the question: How much competition is desirable? This question was discussed under the heading "Effective Competition and Market Efficiency". Increased competition is only desirable to that point where the gain is one component of market efficiency is equalized by the opportunity cost loss in the other component.

This chapter is concluded with a discussion of one of the major determinants of market efficiency; that is, market information. the section on market information provides the framework for discussion of the problems faced by producers, feedlot operators and auction market managers in the marketing of feeder cattle.

CHAPTER III

THE CANADIAN BEEF CATTLE ECONOMY

The North American Market

In recent years there has been a relatively free exchange of livestock and meat products betweeen Canada and the United States. Due, in large part, to the lack of serious institutional barriers to trade, this two-way flow has resulted in a close link between the two economies in many areas of industrial and agricultural production.

> Since World War II, Canadian livestock production has become increasingly closely related to the requirements of the North American market, dominated by the United States, which is the largest producer of hogs and beef, and the largest beef importer in the world.[1]

The relative lack of barriers to trade between the two countries,[2] coupled with the close physical proximity of Canadian and United States cattle industries, have resulted

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[1] The Special Committe on Farm Income, Marketing of Beef and Pork in Ontario ,Research Report No.11 (Toronto, Ontario: Department of Agriculture, 1969), p. 15.

[2] For schedule of tariffs between Canada and the United States, refer to Appendix I.

in similar base-point pricing and price movements within what is commonly called a "North American Market".[1] As Boswell has pointed out, " movement of cattle numbers and output in Canada is directly tied to conditions in the United States, especially (United States) cattle prices."[2]

Figures 3.1, 3.2, 3.3 and 3.4 illustrate the close relationship between the Canadian and United States livestock economies. While the United States cattle population is approximately ten times that of Canada, Figure 3.1 illustrates that the number of cattle and calves on farms follows a similar trend in both countries. Figure 3.2 shows that the commercial slaughter figures exhibit a similar trend as well, although the United States slaughter figures are approximately ten times larger than the Canadian figures. Figures 3.3 and 3.4 illustrate that prices for slaughter cattle (Figure 3.3) and prices for feeder cattle (Figure 3.4) also follow similar patterns in both countries.

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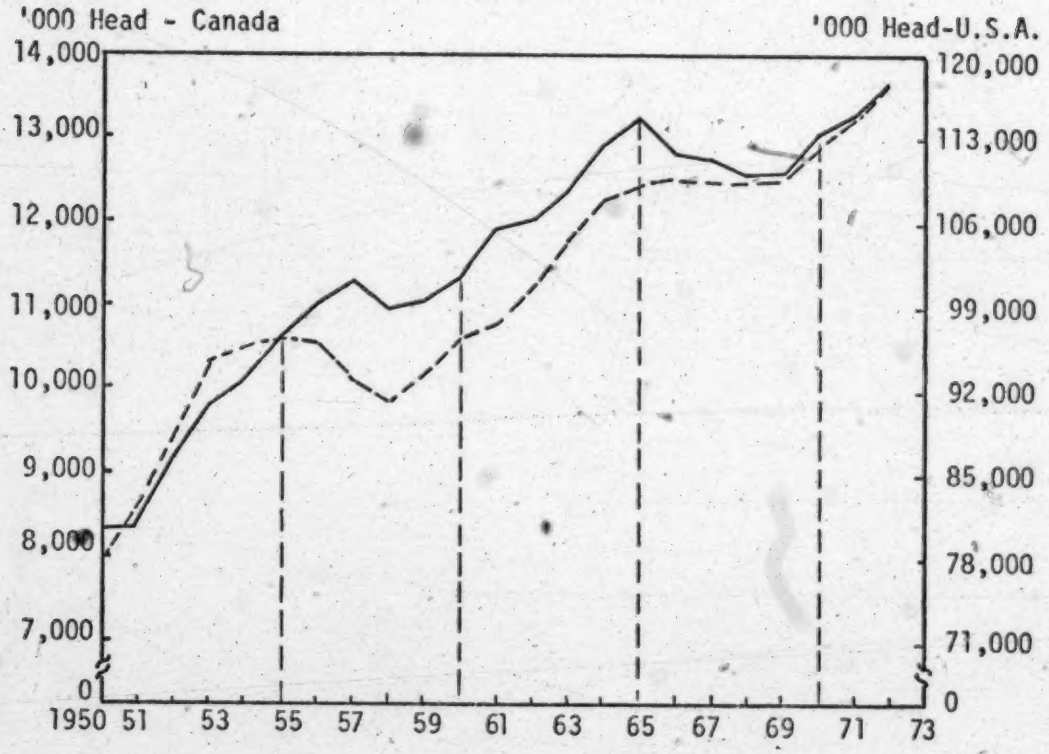
[1] For the purpose of this chapter, the phrase "North American Market" refers to Canada and the United States. While the Mexican livestock industry is influenced and has influence upon the United States market, its (the Mexican livestock industry) influence upon the Canadian market is minimal. The only relationship between the Mexican and Canadian markets is through the United States in that dealings which the United States has with Mexico may influence trade between Canada and the United States.

[2] A.M. Boswell, "Determinants of Change in Canadian Beef Cattle Slaughter," Canadian Farm Economics , Vol. 8, No. (1973) p.2.

FIGURE 3.1

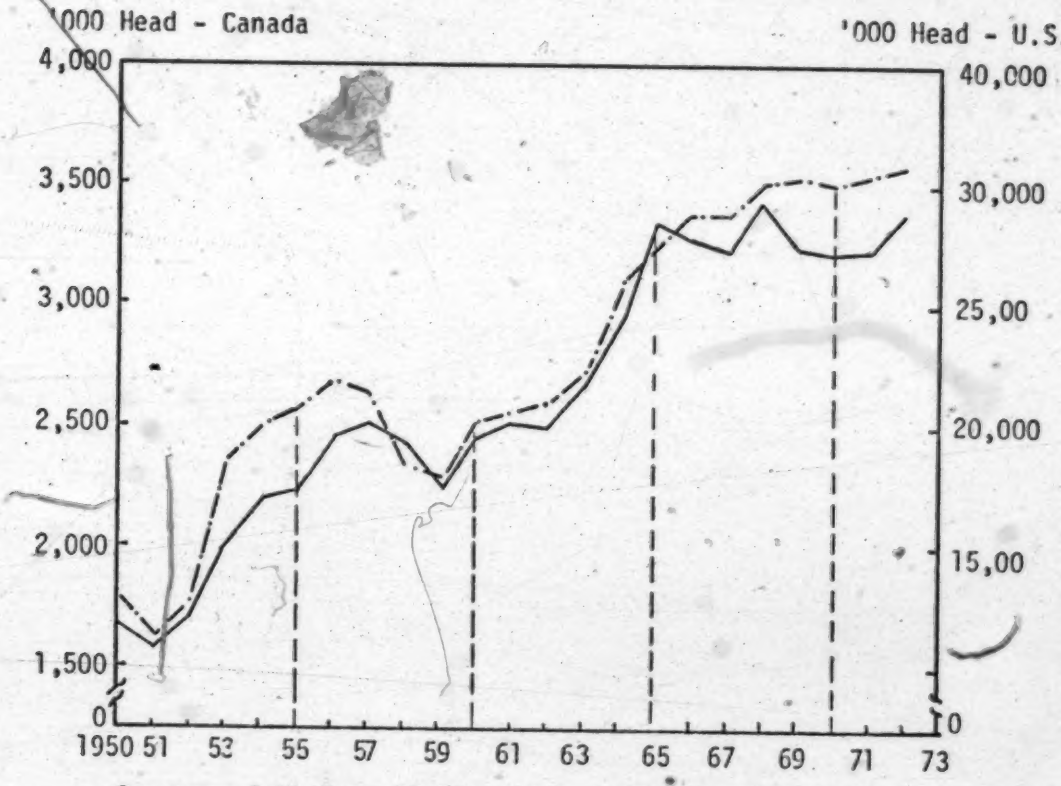
CATTLE AND CALVES ON FARMS, 1950-72



Source: A.M. Boswell "Determinants of Change in Canadian Cattle Slaughter", Canadian Farm Economics, Vol. 8, No. 1 (1973), p. 3.

FIGURE 3.2

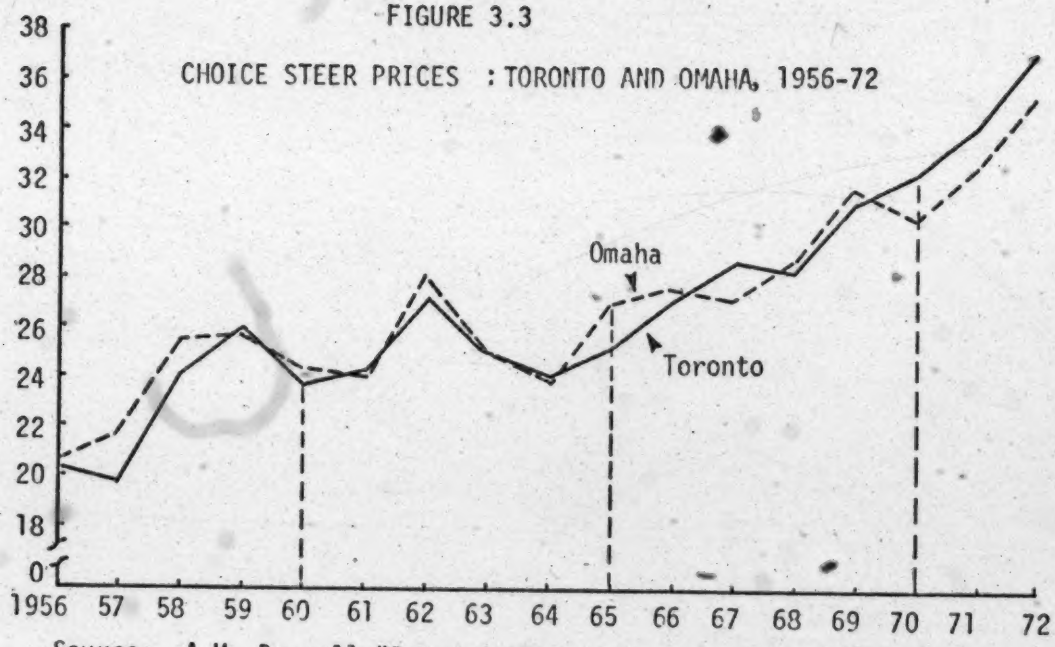
COMMERCIAL CATTLE SLAUGHTER IN CANADA AND UNITED STATES, 1950-72



Source: A.M. Boswell "Determinants of Change in Canadian Cattle Slaughter", Canadian Farm Economics, Vol. 8, No. 1,(1973), p. 3.

FIGURE 3.3

CHOICE STEER PRICES : TORONTO AND OMAHA, 1956-72



Source: A.M. Boswell "Determinants of Change in Canadian Cattle Slaughter", Canadian Farm Economics, Vol. 8, No. 1, (1973), p. 3.

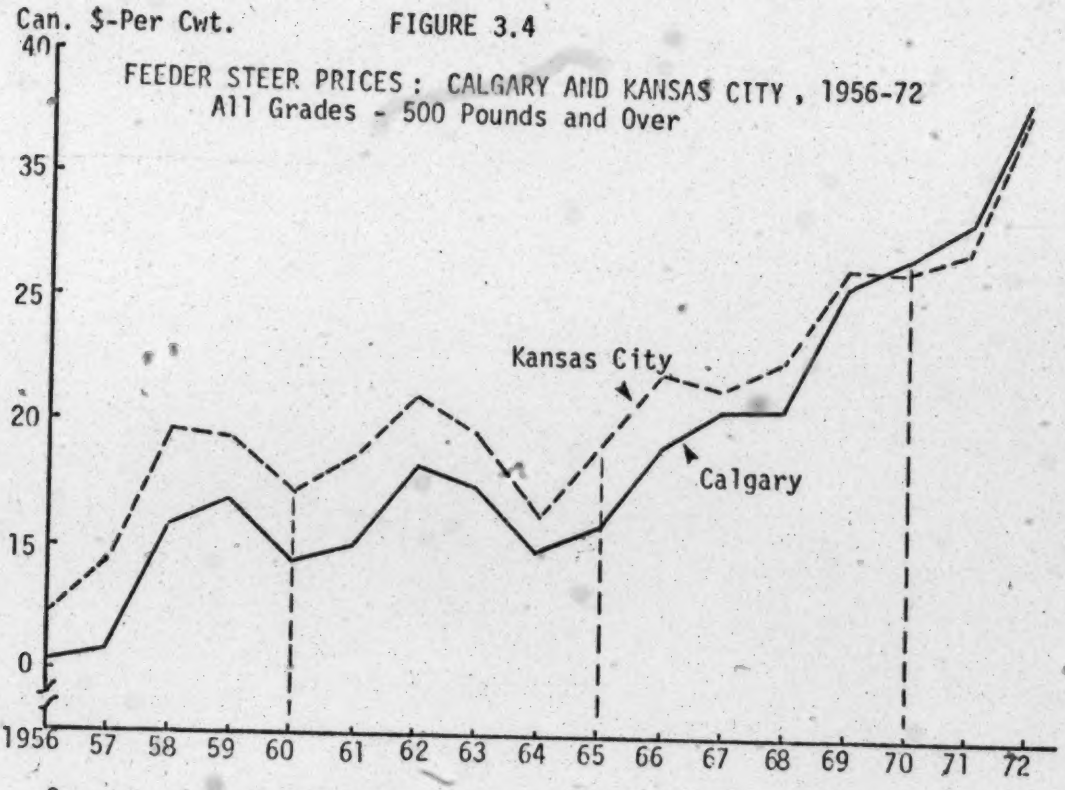


FIGURE 3.4

FEEDER STEER PRICES: CALGARY AND KANSAS CITY, 1956-72
All Grades - 500 Pounds and Over

Source: A.M. Boswell "Determinants of Change in Canadian Cattle Slaughter", Canadian Farm Economics, Vol. 8, No.1,(1973) p. 3.

Boswell explains the influence of the United States livestock industry upon its Canadian counterpart:

> When rationalizing the economic trends of the Canadian beef industry, the powerful influence from the large United States beef industry cannot be overlooked. The United States market has often provided an important safety valve for our (Canadian) market when feeder or slaughter cattle exceed our (Canadian) requirements. This was the case during the mid 1960's. In recent years the United States markets have been a source of live cattle for slaughter in Canada.[1]

Keeping in mind the notion of a "North American Market", it is the purpose of Chapter III to outline production in the cow-calf and feedlot sectors of the beef system in the "North American Market". Special emphasis will be placed upon the Canadian, and particularly the Alberta, beef cattle industry.

International Trade In Live Cattle And Calves

Canada has traditionally been a net exporter of live cattle with the feeder cattle class consistently forming the largest percentage of live cattle exported.[2] The United

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[1] Ibid ., p. 2.

[2] V.M. Yorgason, Canada's Livestock - Meat System (Ottawa: Agricultural Economic Research Council of Canada, 1973), p. 170. The class entitled "Weighing 200 pounds or more" in Table 3.6 has generally consisted of feeder cattle weighing between 200-700 pounds, although on occasion a substantial number of heavy feeder and slaughter cattle have been exported.

States has been Canada's most important trading partner in the area of live cattle export.

> Exports of feeders (200-700 pounds) and slaughter cattle (over 700 pounds) have been the equivalent of 8 to 30 percent of Canadian commercial steer and heifer marketings over the past ten years. This large proportion emphasizes the great importance of the United States market to the Canadian cattle industry.[1]

Imports of feeder cattle into the United States have accounted for about 4 percent of the cattle placed on feed in that country. Mexico has provided about 3 percent and Canada the remaining 1 percent. Canadian exports to the United States have been of minor importance in their market.[2]

Table 3.1 outlines exports of live cattle from Canada by destination and class. While the number of young calves (those weighing less than 200 pounds) being exported has more than doubled since 1965, the large decrease in the export of heavier cattle (those weighing more than 200 pounds) has resulted in a net decrease in the total number of live cattle exported. With an increase in demand for beef being experienced in Canada, one might expect this decreasing trend to continue.

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[1] Report of the Federal Task Force on Agriculture, Canadian Agriculture in the Seventies (Ottawa: Queen's Printer, 1969), p. 154. While all cattle weighing over 700 pounds have been categorized as slaughter cattle, a considerable number of cattle in this weight range are in fact heavier weight feeder cattle.

[2] Ibid., p.155.

Imports of cattle and calves have largely been confined to purebred stock, although when the North American price situation warrants it, substantial imports of fed cattle have also taken place.[1] Institutional barriers to trade have tended to eliminate the importation of feeder cattle. Table 3.2 outlines the country of origin of live cattle imports.

While the movement of live cattle into Canada from the United States has largely been fed cattle, total imports exceeded 20,000 head in only four of the past twelve years. In 1964, total imports from the United States were 32,830 head. In that year, United States imports accounted for only one percent of the total Canadian slaughter of cattle and calves. In 1967, 1970 and 1971 imports accounted for .9 percent, 1.6 percent and 2.6 percent respectively.[2] Imports have been relatively unimportant considering the total Canadian slaughter, but there has been some increase in recent years.

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[1] V.M. Yorgason, op. cit., p. 170.
[2] Statistics Canada, Livestock and Animal Products Statistics, Catalogue No. 23-203 (Ottawa: Statistics Canada, 1960-1971).

TABLE 3.1

LIVE CATTLE EXPORTS BY CLASS AND DESTINATION, 1960-71

	Destination			Class				
Year	U.K.	U.S.	Other Countries	Pure Bred	Dairy Weighing 200 lbs. or More	Others Weighing 200 lbs. or More	Others Weighing Less Than 200 lbs.	Total
1960	145	268,980	3,729	21,068	16,568	204,506	30,712	272,854
1961	79	495,290	7,770	24,239	20,032	430,048	28,820	503,139
1962	67	484,922	7,247	22,150	17,522	416,011	36,550	492,236
1963	5	272,071	6,493	21,969	12,583	208,709	35,308	278,569
1964	17	214,423	7,752	22,089	16,031	135,165	48,907	222,192
1965	32	592,800	20,091	28,218	24,887	498,878	60,940	612.923
1966	23	521,840	15,242	32,467	21,528	377,073	106,037	537,105
1967	1	248,818	13,054	23,740	13,538	138,303	86,292	261,873
1968	658	339,490	13,510	27,903	16,149	172,040	137,566	353,658
1969	78	229,747	12,665	33,472	25,166	56,959	126,926	242,490
1970	8	225,139	21,882	46,703	41,745	31,505	127,076	247,029
1971	76	229,356	15,789	37,784	49,908	32,239	125,290	245,221

Source: Statistics Canada, Livestock and Animal Products Statistics, Catalogue: 23-203.

TABLE 3.2

LIVE CATTLE IMPORTS BY COUNTRY OF ORIGIN, 1960-71

	Pure Bred Cattle			Other Cattle & Calves	
Year	From UK	From USA	From Other Countries	From USA	Total
1960	95	2,306		6,748	9,149
1961	49	2,777		991	3,817
1962	207	2,581	1	844	3,633
1963	305	2,641		601	3,547
1964	120	3,949		32,830	36,899
1965	80	3,211		1,626	4,917
1966	53	2,655	191	6,115	9,014
1967	72	3,082	254	27,562	30,970
1968	21	3,539	237	2,005	5,802
1969	145	5,346	275	2,151	7,917
1970	72	4,999	424	46,596	52,091
1971	138	5,387	856	84,326	90,707

Source: Statistics Canada, Livestock and Animal Products Statistics, Cataglogue 23-203.

Domestic Production Of Feeder And Slaughter Cattle

Between 1960 and 1971, Canada's Prairie Provinces were the source of more than 60 percent of the country's supply of beef cattle. Except for limited experimentation in the Peace River Region, the major area of beef cattle production has been a 300 to 400 mile strip bordering the 49th parallel. The foothill, parkland, and short grass regions of Alberta, Saskatchewan and Manitoba are extremely well suited to extensive-type farming and ranching operations which constitute the dominant form of agricultural production in these areas. Favorable climatic conditions and available land resources have been major contributors in making the production of beef animals one of the primary agricultural endeavors of the region.

While the prairies constitute the main source of Canada's beef calf production, southern Ontario also has an important beef cattle industry. Beef cattle production in Ontario tends to be much more intensive than is the case in the West. Cattle are raised in smaller lots by a larger number of smaller farmers.[1] This type of production is most appropriate, considering the land resources and farming

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[1] The 1971 Census showed Ontario to have 64,295 farms with livestock. Average holdings per farm were 248.28 acres and the number of beef cows per farm was 6.76. Comparable Alberta statistics show 44,575 farms with livestock. Average holdings were 1110.63 acres and the number of beef cows per farm was 28.50.

techniques employed in the region.

The number of beef cows on farms approximates the number of beef cattle being produced in a region. Table 3.3 outlines the provincial distribution of beef cattle production in Canada for the years 1960 to 1971. Reference to Table 3.3 indicates that between 1960 and 1971 Alberta and Saskatchewan have consistently been the major beef cattle producing regions in the country, with Ontario ranking third.

Beef cattle represent only a part of Canada's total supply of feeders. The remaining part is made up of dairy-type steers and heifers which are not used for herd replacement purposes. As Table 3.4 illustrates, Quebec and Ontario are the main areas of dairy cattle production in the country and they therefore are the major contributors to the dairy-type cattle segment of the total feeder cattle supply. Among the western provinces, Alberta and Manitoba are the main contributors of dairy-type cattle to the total feeder cattle supply.

TABLE 3.3

BEEF COWS ON FARMS BY PROVINCE - 1960-71
'000

	60	61	62	63	64	65	66	67	68	69	70	71
P.E.I.	4.5	5.1	6.0	5.1	5.0	5.8	6.4	7.0	8.4	8.2	7.6	8.7
Nova Scotia	11.8	14.3	15.7	15.4	17.0	16.0	17.6	18.4	19.2	18.5	19.0	21.8
New Brunswick	9.4	11.4	11.6	13.0	13.7	13.3	14.5	15.1	16.0	16.2	18.8	17.0
Quebec	126.0	92.0	88.0	88.0	85.0	80.0	88.0	87.0	88.0	105.0	132.0	153.0
Ontario	282.0	318.0	344.0	352.0	355.0	355.0	342.0	365.0	360.0	375.0	560.4	429.0
Total East	433.7	440.8	464.3	473.5	476.7	476.7	457.1	463.5	491.6	522.9	560.4	629.5
Manitoba	212.0	231.0	251.0	284.0	315.0	310.0	310.0	338.0	311.0	330.0	355.0	369.0
Sask.	595.0	643.0	681.0	740.0	806.0	820.0	820.0	845.0	802.0	830.0	880.0	1,008.0
Alberta	825.0	858.0	877.0	904.0	955.0	992.0	1,076.0	1,056.0	1,020.0	1,080.0	1,155.0	1,260.0
B.C.	107.0	118.0	129.0	142.0	156.0	156.0	159.0	153.0	147.0	153.0	153.0	180.0
Total West	1,850.0	1,739.0	1,739.0	1,936.0	2,070.0	2,232.0	2,278.0	2,418.0	2,367.0	2,280.0	2,393.0	2,817.0
Total Canada	2,290.8	2,172.7	2,402.3	2,543.5	2,708.7	2,735.4	2,881.5	2,859.5	2,771.2	2,915.9	3,103.4	3,446.5

Source: Statistics Canada: Report on Livestock Surveys, Catalogue: 23-004.

TABLE 3.4

MILK COWS ON FARMS BY PROVINCE - 1960-71
'000

	60	61	63	63	64	65	66	67	68	60	70	71
P.E.I.	40.0	37.5	36.0	36.0	37.0	36.0	35.5	35.0	36.0	35.0	34.0	25.5
Nova Scotia	67.0	62.3	60.0	59.0	57.0	55.0	50.5	49.0	48.0	46.0	46.0	40.0
N.B.	70.0	64.2	60.0	57.0	56.0	52.0	49.5	47.0	46.0	42.0	38.0	36.0
Quebec	1,095.0	996.0	1,009.0	1,019.0	1,058.0	1,058.0	975.0	988.0	1,010.0	1,020.0	1,014.0	875.0
Ontario	1,036.0	985.0	958.0	930.0	925.0	912.0	930.0	930.0	900.0	875.0	842.0	737.0
Total East	2,308.0	2,145.0	2,123.0	2,101.0	2,122.0	2,126.0	2,022.5	2,049.0	2,040.0	2,018.0	1,974.0	1,713.5
Manitoba	208.0	191.0	182.0	180.0	177.0	170.0	144.0	137.0	128.0	120.0	119.0	104.0
Sask.	244.0	236.0	212.0	200.0	185.0	165.0	145.0	135.0	118.0	110.0	105.0	789.0
Alberta	275.0	281.0	273.0	272.0	264.0	248.0	242.0	216.0	205.0	200.0	192.0	170.0
B.C.	95.0	94.0	91.0	90.0	89.0	87.0	81.0	81.0	81.0	78.0	81.0	81.0
Total West	822.0	802.0	758.0	742.0	715.0	670.0	612.0	569.0	532.0	508.0	497.0	444.0
Total Canada	3,130.0	2,947.0	2,881.0	2,843.0	2,837.0	2,796.0	2,634.5	2,618.0	2,572.0	2,526.0	2,471.0	2,157.5

Source: Statistics Canada: Report on Livestock Surveys, Catalogue: 23-004.

Although the distribution of fed cattle production within Canada is not the same as the distribution of feeder cattle production, there has in recent years been a tendency for more cattle to be fed in the province in which they are produced. Although prior to about 1965, Ontario was Canada's major producer of fed cattle, Alberta has since become the country's largest fed cattle producer.[1] Since 1965, with the decentralization of the packing industry, more favorable freight rates for the shipment of carcass beef to the East, and the need on the part of the western farmers to find an alternative way of profitably marketing large excess supplies of feed grain, the western provinces, and Alberta in particular, have increased substantially the size of their cattle feeding industry. Table 3.5 shows the number of cattle on feed by province on January 1 for the census years 1966 and 1971. In both years, the Province of Alberta had the largest number of cattle on feed.

Although Alberta has been the Country's major producer of fed cattle since 1965, Ontario, until 1972, had the largest inspected slaughter of cattle and calves in the country. Figures for inspected slaughter are illustrated in Table 3.6. Reference to Table 3.7 verifies the fact that a

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[1] One can not be sure of the exact year in which Alberta became the country's major producing region for fed cattle as statistics are not available. The year 1965 was arrived at in several discussions with people from the packing industry.

large number of fed cattle shipped from Western Canada to packing facilities in the East, thus contributing to the Ontario slaughter.

TABLE 3.5

CATTLE ON FEED BY PROVINCE , 1966 and 1971

	Jan 1/1966	Jan 1/1971
Newfoundland	990	905
P.E.I.	19,165	17,184
Nova Scotia	13,346	11,452
New Brunswick	10,725	8,635
Quebec	62,480	54,534
Ontario	566,380	698,580
Manitoba	138,466	178,273
Saskatchewan	307,344	370,755
Alberta	655,415	742,850
B.C.	38,186	45,308
TOTAL CANADA[1]	1,822,484	2,124,498

[1] Total for Canada includes data for Yukon and Northwest Territories.

SOURCE: Statistics Canada , Canada: Summary Tables , Cat. No. 96-601 and 96-701 (Ottawa: DBS, 1966 and 1971)..

Table 3.7 also shows that this eastward movement of fed cattle reached a high in 1968, when 149,806 cattle and calves were shipped from Western Canada to packing plants in eastern Canada.[1] In 1971 only 88,453 cattle and calves were shipped from the West to packing plants in the East.

Ontario does not produce all the feeder cattle which are eventually fed in Ontario feelots. Each year a large number of beef-type feeder cattle and calves are shipped from Western Canadian farms and ranches to feedlots in Eastern Canada. Table 3.7 outlines the movement of cattle and calves from Western Canadian Terminal Stockyards to feedlots and stockyards in Eastern Canada.[2] While the figures presented in Table 3.7 do not represent the total

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[1] The Livestock Market Review includes statistics from all the Terminal Stockyards, but does not show the local auction markets. In discussions with auction market operators and licensed dealers it was found that some of the non-terminal auction markets and some of the licensed dealers are sending live cattle east for slaughter but statistics are not available regarding the magnitude of this type of eastward movement.

[2] Although statistics are not available, it may be assumed that virtually all western calves and a high proportion of western cattle sold through Eastern stockyards eventually find their way into Ontario feedlots.

TABLE 3.6

CATTLE AND CALVES: SLAUGHTERING IN INSPECTED ESTABLISHMENTS, BY PROVINCE, 1961-71

Year	Maritime Provinces	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	Canada
Cattle and Calves								
1961	46,542	575,960	784,880	481,242	134,472	602,985	105,678	2,731,759
1962	55,138	600,478	831,642	402,405	126,376	633,306	89,043	2,738,388
1963	45,702	593,877	887,967	398,556	125,842	659,436	86,726	2,798,106
1964	49,381	648,090	1,009,710	471,959	145,942	753,377	94,120	3,172,579
1965	56,904	737,942	1,156,630	571,993	165,005	833,485	107,283	3,629,242
1966	45,477	623,827	1,080,507	549,903	180,359	883,944	106,718	3,470,735
1967	44,566	602,898	1,016,678	536,468	162,950	913,731	103,312	3,380,603
1968	37,563[1]	582,266	1,052,933	538,529	164,585	963,597	113,327	3,452,790
1969	34,613	595,689	1,042,873	470,366	166,908	892,037	96,229	3,298,715
1970	33,181	569,444	1,011,267	447,879	156,156	914,237	64,831	3,196,995
1971	40,329	449,993	1,029,199	447,650	158,342	1,033,846	41,789	3,251,148
Cattle								
1961	35,165	207,972	664,916	389,293	119,410	534,173	90,734	2,041,473
1962	41,701	209,436	707,841	324,581	112,569	562,166	69,865	2,028,159
1963	35,508	208,392	758,128	331,183	115,972	606,293	71,240	2,126,716
1964	38,782	236,347	859,541	393,231	133,887	686,084	74,388	2,422,260
1965	44,889	263,597	981,233	470,420	150,943	746,674	76,758	2,734,514
1966	38,004	205,253	930,122	462,907	168,906	813,669	86,278	2,705,139
1967	36,200	196,407	877,536	450,690	152,984	846,419	81,552	2,641,788
1968	30,621[1]	217,429	915,319	467,666	156,037	899,931	97,376	2,784,379
1969	30,212	227,516	923,126	428,085	162,311	860,475	86,842	2,718,567
1970	32,111	238,929	896,922	422,236	153,845	895,320	61,470	2,700,833
1971	36,905	198,528	915,126	425,296	155,722	1,015,967	39,364	2,786,908
Calves								
1961	11,377	368,168	119,964	99,959	15,062	68,612	14,944	690,286
1962	13,437	391,042	123,801	77,824	13,807	71,140	19,178	710,229
1963	10,194	385,485	129,839	67,373	9,870	53,143	15,486	671,390
1964	10,599	411,743	150,169	78,728	12,055	67,293	19,732	750,319
1965	12,015	474,345	175,397	101,573	14,062	86,811	30,525	894,728
1966	7,473	418,574	150,385	86,996	11,453	70,275	20,440	765,596
1967	8,366	406,491	139,142	85,778	9,966	67,312	21,760	738,815
1968	6,942[1]	364,837	137,614	70,863	8,548	63,656	15,951	668,411
1969	4,401	368,173	119,747	42,281	4,597	31,562	9,387	580,148
1970	4,070	330,514	114,345	25,643	2,311	18,917	3,361	499,162
1971	3,424	301,465	114,073	22,354	2,620	17,879	2,425	464,240

Source: Statistics Canada, Livestock and Animal Products Statistics, Cat. No. 23-203 (Ottawa: DBS, 1961-71).

[1] From 1968 onward the figure for the Maritimes includes Newfoundland.

TABLE 3.7

SHIPMENTS OF CATTLE & CALVES FROM WESTERN CANADA TO FEEDLOTS, STOCKYARDS & PACKING PLANTS IN EASTERN CANADA, 1960-71

	Cattle				Calves			
	To Feed Lots	To Stock Yards	To Packing Plants	Total	To Feed Lots	To Stock Yards	To Packing Plants	Total
1960	76,450	24,474	121,727	222,651	81,058	9,520	853	92,231
1961	91,137	28,306	93,421	212,864	132,864	14,100	1,074	148,038
1962	49,444	15,921	52,727	118,092	144,819	13,248	1,314	159,381
1963	54,955	18,741	55,777	129,473	141,778	14,465	395	156,638
1964	89,986	34,616	83,763	208,365	191,445	34,161	1,345	226,951
1965	105,323	31,088	93,651	230,062	179,539	23,703	4,100	207,342
1966	106,055	31,541	113,541	250,807	236,540	35,211	10,831	282,582
1967	129,195	42,419	113,363	283,977	209,601	45,673	14,050	349,364
1968	106,055	23,820	132,438	262,313	290,838	40,040	17,368	348,246
1969	55,068	13,101	110,579	187,748	293,654	32,606	10,138	336,389
1970	47,725	19,819	114,395	181,939	255,215	30,841	6,916	292,972
1971	34,682	16,533	80,904	132,119	263,404	28,703	7,449	299,556

Source: Canada Department of Agriculture, Livestock Market Review , (Ottawa: Canada Department of Agriculture, 1960-72).

movement of cattle and calves from Western Canada to Eastern Canadian feedlots,[1] they do illustrate the relative importance of Western Canadian produced feeder cattle to Eastern Canadian feedlot operators.

Quebec provides another source of feeder cattle for Ontario feedlots since only a very small number of cattle are fed to slaughter weights in Quebec. In 1971, with 875,000 milk cows and 153,000 beef cows in the province, Quebec had only 42,000 steers on feed. Accounting for the number of calves which are kept for replacement purposes, it is apparent that a large percentage of Quebec's cattle production is shipped out of the province. As neighboring Ontario is a net importer of feeder cattle, it is the most likely Canadian recipient of Quebec's excess supply of feeder cattle.[2]

The location of fed cattle production in Canada has been determined primarily by environmental factors.

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[1] In recent years, local auction markets, which are not reported in The Livestock Market Review , have merchandised an increasingly large number of feeder cattle. In certain markets, a relatively large percentage of the animals sold have been sent to feedlots in Ontario. This Eastward movement is especially noticeable during the calf sales in the fall.

[2] Report of the Federal Task Force on Agriculture, op.cit., p. 151.

Climatic conditions, coupled with the availablility of acceptable transportation facilities have tended to concentrate fed cattle production in Southern Alberta and Southern Ontario. Favorable climatic conditions have contributed to fed cattle production in these areas in two ways. The moderate climate and absence of excessively cold winters have been found particularly conducive to fed cattle production. Further, the moderate climate of these areas and the resultant longer growing season has contributed to the availability of high quality, relatively inexpensive cattle feed. In Ontario, grain corn and corn silage provide the main source of nutrition for feedlot animals. In Alberta, barley serves a similar function, although corn is becoming more popular, especially for silage.

As Quantz suggests, the cost of certain inputs tends to be higher for Ontario feedlot operators than for Alberta feedlot operators:

> Southwestern Ontario benefits from the efficiency of high producing corn and soybean crops, setting a base for cattle feeding operations. The large centers of population in this region provide a market for finished beef but the same population pressures have generally inflated land values so that higher cost production of forage crops and feeder cattle increases the costs of inputs in the feeding industry.[1]

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[1] L.E. Quantz, "Futures Trading in Live Beef" (Unpublished M. Sc. Thesis, Department of Agricultural Economics and Rural Sociology, University of Alberta, 1973), p. 25.

Even though land values are inflated in the cattle producing regions of Ontario, the availability of inexpensive sources of feed and the high demand for beef as reflected in higher average prices has made fed cattle production a profitable venture for Ontario farmers.

While feedlot production in Ontario has tended to remain in the hands of relatively small producers, this has not been the case in Southern Alberta. Although there are still a large number of small farmer feedlots in Alberta, the past ten years have witnessed a great increase in the number of large commercial feedlots. The practice of custom feeding, which predominates in the larger lots, has undoubtedly contributed to their growth. the owners of custom feedlots have been able to put most of their resources into capital requirements and rely upon their customers to provide operating capital. Packers in the Lethbridge area suggest that approximately 70 percent of their annual slaughter comes from feedlots with capacity in excess of 1,000 head.[1] A relatively large percentage of the feedlots in that category are involved to some degree in custom feeding.

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[1] This figure was arrived at during discussions with representatives from the packing industry.

The Cattle Industry In Alberta

Having outlined the cattle industry in Canada and the dominant role which Alberta plays in this industry, it is appropriate at this point to present a more detailed discussion of the cattle industry in Alberta. It is important that one have a basic knowledge of cattle production in this Province before considering the feeder cattle market in southern Alberta. This section will outline the major areas of feeder and fed cattle production in the Province and those events which have contributed to Alberta's success as a cattle producing region.

Beef cattle production in the province has shifted noticeably in the past thirteen years as is illustrated in Table 3.8. In 1960, beef cattle production, for which beef cow numbers provide a reasonable proxy, was concentrated in the southern and east central areas. The largest number of beef cows were located in ARA 3,[1] with ARA's 1, 2 and 4 also reporting a relatively large number of beef cows. The central and northern areas reported only 178,000 beef cows, which represented only 21.45 percent of Alberta's beef cow herd.

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[1] ARA signifies Agricultural Reporting Area. Figure 3.5 outlines the ARA's in the Province of Alberta.

While the number of beef cows reported on Alberta farms has increased 50.3 percent in the province since 1960, the increase has been much greater in some ARA's than in others. ARA 2 showed only an 11.25 percent increase while the increase in ARA 6 was 191.56 percent.

There were several reasons for the large increase in beef production in certain areas. In Northern Alberta, with the large surpluses of feed grain in the mid-1960's, farmers attempted to find some alternative enterprise which would enable them to realize some profit on their farming operation. Beef cattle production was the best option since it was something with which many were at least partially familiar. The federal government's LIFT[1] program introduced

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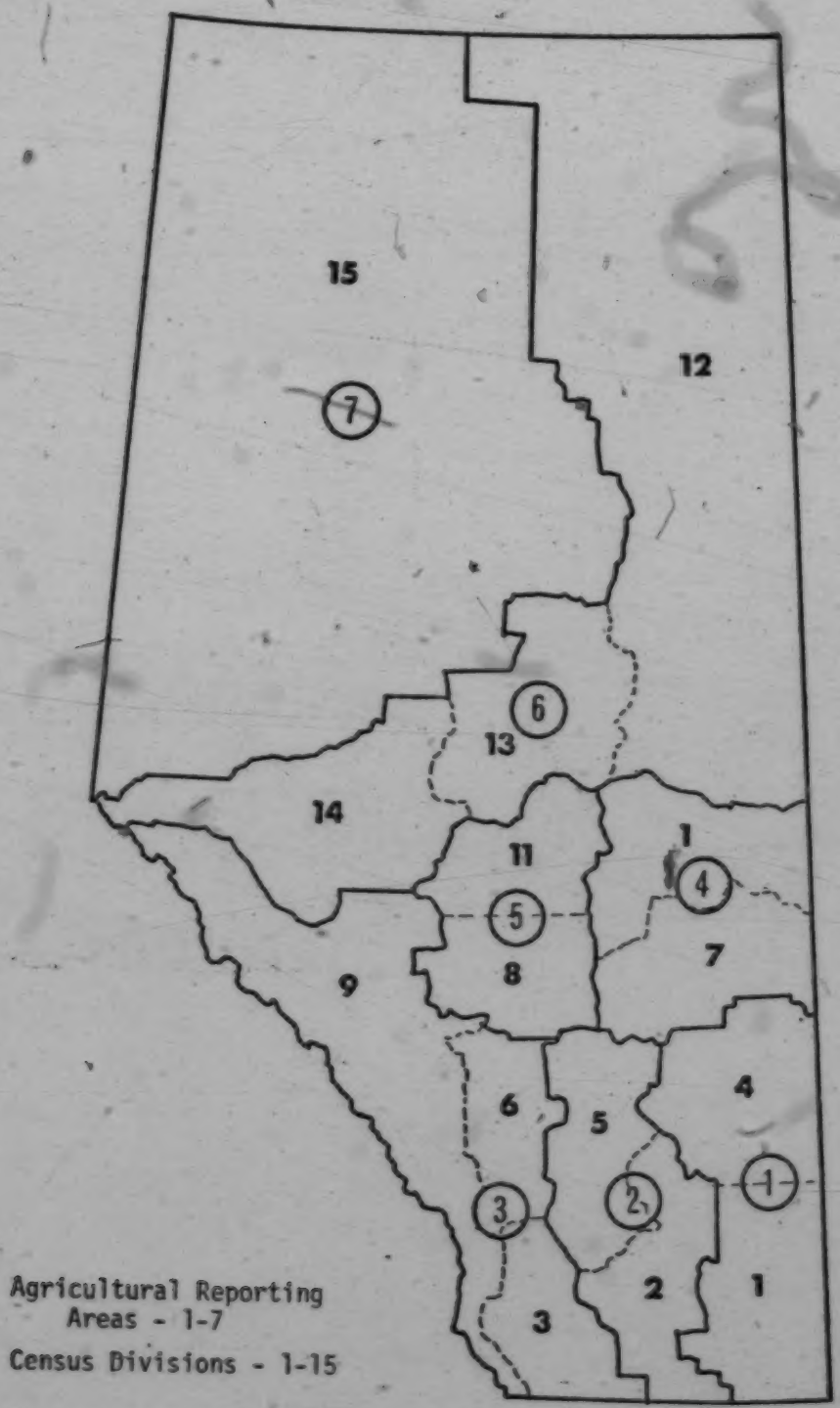
[1] LIFT-- Lower Inventories for Tomorrow--A federal government program designed to alleviate the problem of excessive wheat inventories.

FIGURE 3.5

AGRICULTURE REPORTING AREAS IN THE PROVINCE OF ALBERTA



Agricultural Reporting Areas - 1-7

Census Divisions - 1-15

TABLE 3.8

BEEF COWS ON FARMS BY AGRICULTURAL REPORTING AREA IN THOUSANDS, 1960-71

ARA	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
1	126.0	132.6	128.8	127.3	136.5	140.0	148.0	147.0	144.0	152.0	152.0	161.0
2	160.0	146.5	136.2	136.7	142.5	149.0	160.0	152.5	147.5	155.0	167.0	178.0
3	185.0	186.5	187.5	183.5	187.5	193.0	216.0	212.5	217.0	222.0	246.0	259.0
4	176.0	180.5	192.0	209.0	219.0	220.0	228.0	227.0	217.0	226.0	240.0	252.0
5	95.0	107.3	113.5	120.5	129.5	136.0	156.0	156.0	142.0	157.0	172.0	190.0
6	53.5	67.1	78.8	86.7	97.5	109.0	123.0	120.5	115.0	129.0	136.0	154.0
7	29.5	37.5	40.2	40.2	42.5	45.0	45.0	40.0	37.5	39.0	42.0	46.0
Total	825.0	858.0	877.0	904.0	955.0	992.0	1,076.0	1,056.0	1,020.0	1,080.0	1,155.0	1,240.0

Source: Alberta Department of Agriculture, Agricultural Statistics for Alberta (Edmonton: ADA, 1960-1971)

a further stimulus for Alberta farmers to move from grain farming to a more diversified mixed farming program which included beef cattle production. A provincial government loan program which was operational in the early 1970'S was also a contributing factor to increasing the size of the beef cow herd in Northern Alberta. Under this program, which was begun May 19, 1971, a maximum of $10,000 could be loaned to an individual for the purpose of purchasing beef cows. With an interest rate of prime rate plus one percent, the term of loan was seven years. In November of the same year, the program was expanded to include the whole province.

Between 1960 and 1972 there was a net decrease of 32 percent in the number of milk cows in the province. This implies a decrease in the contribution of the dairy industry to the feeder cattle supply. While some of the decrease reflects a change from dairy to beef production, the contributing factors were the labor problems inherent in the dairy industry and the absence of adequate returns. Although there has been a decrease in dairy cattle numbers, the Edmonton region, ARA 5, still contributes a relatively large number of dairy cattle to Alberta's feeder cattle supply. Table 3.9 outlines milk cows on farms by Agricultural Reporting Area.

TABLE 3.9

MILK COWS ON FARMS BY AGRICULTURAL REPORTING AREA IN THOUSANDS, 1960-71

ARA	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
1	8.2	8.3	8.2	7.3	7.1	7.8	7.5	6.9	5.8	5.5	5.8	5.1
2	26.0	25.0	24.5	23.3	22.5	20.3	19.0	18.8	18.0	17.0	13.5	15.3
3	27.5	29.8	29.8	30.2	28.0	25.5	25.0	20.5	19.0	22.5	21.2	20.3
4	61.0	62.7	59.3	59.5	57.5	52.1	52.0	47.2	44.0	40.0	40.0	37.0
5	85.5	88.7	87.0	89.0	86.0	80.5	83.0	75.0	72.2	72.0	67.0	68.0
6	58.0	58.0	52.4	51.2	51.8	50.1	47.0	41.5	40.0	38.0	39.0	36.3
7	14.5	12.5	11.8	11.5	11.1	11.7	8.5	6.1	6.0	5.0	5.5	5.0
Total	275.0	281.0	273.0	272.0	264.0	248.0	242.0	216.0	205.0	200.0	192.0	187.0

Source: Alberta Department of Agriculture, Agriculture Statistics for Alberta (Edmonton: ADA, 1960-1971).

TABLE 3.10

CATTLE ON FEED IN ALBERTA 1966-1971

	1966	1967	1968	1969	1970	1971
Cattle on Feed	665,415	n/a[1]	593,106	583,121	571,459	742,850

[1] Figures not available for 1967.

Source: Alberta Department of Agriculture Agricultural Statistics for Alberta 1968-1971
Statistics Canada, Canada: Summary Tables , Cat. No. 96-601 and 96-701 (Ottawa: Statistics Canada, 1961 and 1971).

The distribution of fed cattle in the province is quite different from that of feeder cattle. While accurate data are not available Alberta Department of Agriculture estimates[1] suggest that approximately 50 percent of the cattle on feed are located in the Southern Region,[2] approximately 40 percent are located in the Central Region,[3] and approximately 10 percent are located in the Northern Region.[4] Table 3.10 outlines estimates of the total number of cattle on feed in the province from 1966 to 1971, excluding 1967.

Southern Alberta's Role in the Canadian Cattle Economy

While the preceeding section alludes to the prominent role which Southern Alberta plays in the Canadian cattle industry, one must be cognizant of the fact that Southern Alberta's role in the North American market is of only minor consequence. Given the relative absence of institutional barriers to trade, the magnitude of the cattle industry in the United States confirms it as the most dominant influence

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[1] Alberta Department of Agriculture, Agricultural Statistics for Alberta (Edmonton: Alberta Department of Agriculture, 1968-1972). Estimates for the number of steers and heifers by region are available for the years 1968 through 1971, but Census Data for 1971 showed these estimates to be out as much as 40 percent in some cases. Because of the inaccuracy of the estimates, the statistics for region and weight class have not been included.

[2] The Southern Region includes:CD1, CD2, CD3, CD4, CD5, CD6, CD9

[3] The Central Region includes: CD7, CD8, CD10, CD11

[4] The Northern Region includes: CD12, CD13, CD14, CD15

in the North American cattle economy. Although Canada's cattle industry is virtually at the "mercy" of the much larger cattle industry south of the 49th parallel, it is only during times of extreme disequilibrium in the market that this influence is to the detriment of the Canadian cattle industry.

Recognizing the influence of the United States cattle industry in the North American market, it is still true that Alberta, as one of the major cattle producing regions in Canada, figures prominently in Canada's livestock economy. Southern Alberta, with its relatively large (by Canadian standards) cattle feeding enterprises, has notable influence in the fed cattle market in Canada and is the dominant influence in the feeder cattle market in Western Canada.

CHAPTER IV

REVIEW OF RELEVANT LITERATURE

A Note On Sources

The development of cattle production technology in Canada and the United States has been similar. Although differences in the scale of operation do suggest minor differences in production techniques, there are numerous similarities. One similarity is the way in which cattle are marketed.

Since virtually the same marketing options are available to Canadian and American producers with respect to the way in which they market their cattle, many of the marketing problems faced by producers in the two countries are similar as well. The homogenity of the marketing segment of the cattle industries makes it possible for much of the research which has been undertaken in the United States to have application to the Canadian case as well. As there has not been a great deal of Canadian research in the area of cattle marketing this study has relied heavily upon the results of research which has been carried out in the United States.

Chapter IV will undertake a review of research which has been carried out in the field of cattle marketing. Of particular importance will be those studies which have documented information describing and evaluating the various

marketing channels open to producers.

Relationship Between Feeder Cattle and Fed Cattle Marketing

Both the feeder cattle market and the fed cattle market are in themselves quite distinct and well defined, but the two are also related in at least one respect. Except for direct-to-packer sales of fed cattle and farm-to-farm sales of feeder cattle, identical channels are available to producers of both feeder cattle and fed cattle. Because the same marketing channels are utilized in the marketing of both feeder cattle and fed cattle, an interdependence exists between the feeder cattle and fed cattle markets.

Recognizing the interdependence between the fed cattle and feeder cattle markets, Chapter V discusses studies which have been undertaken in both these fields.

The Choice Of A Marketing Channel By Producers[1]

Researchers have primarily used two methods to determine the criteria producers employ in choosing a channel through which to market their cattle. In the first case, opinion polls have been taken in which the producer is asked that specific question. In the second, researchers have utilized secondary data to determine the most popular

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[1] Refer to Appendix II for a definition of marketing channels.

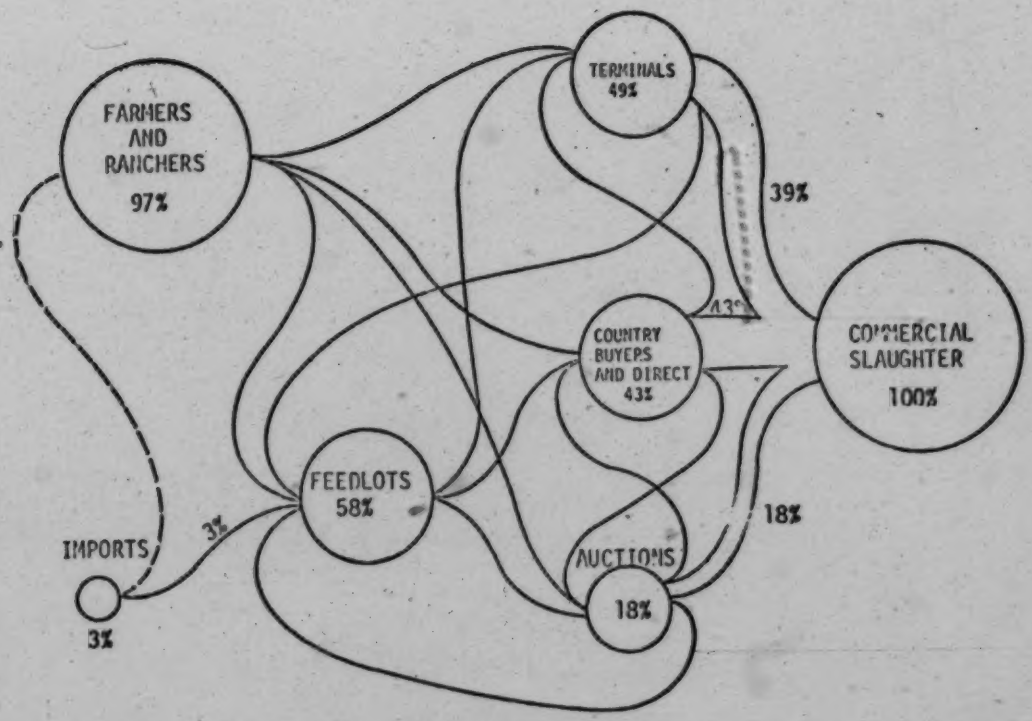
marketing channel and from that, have deduced the reason for which that paricular channel is the most popular. The method chosen by the majority of researchers is to employ both techniques.

Figure 4.1 illustrates the marketing channels for cattle. All figures are expressed as a percentage of total commercial slaughter volume in the United States for 1963.

As Figure 4.1 points out, in 1963 in the United States terminals, country buyers and direct buyers, and auctions accounted for 39 percent, 43 percent and 18 percent,respectively, of the commercial slaughter. This is not to imply that producers utilized the three marketing channels in these proportions. Rather, it suggests that the commercial slaughter was obtained through these three marketing channels in the above proportions.

FIGURE 4.1

MARKETING CHANNELS FOR CATTLE - UNITED STATES, 1963



Source: National Commission on Food Marketing. Organization and Competition in the Livestock and Meat Industry, Technical Study No. 1, (Washington, D.C.: U.S. Government Printing Office, 1966), p. 4.

The National Commission on Food Marketing noted an accelerating decentralization in the procurement of live animals since World War II.[1] Terminal markets, in particular, handled a declining share of each class of cattle sold. The U.S.D.A. pinpointed the 1920's as the beginning of the decline in the importance of terminal markets in the United States.[2] It attributed the decline to a combination of factors. There has been a large increase in the number of auction markets in the United States.[3] Although total marketings have also increased substantially, the increase has not been sufficient to sustain volumes moving through the other channels and still allow for the increased number of cattle handled by auction markets. In order for the auction markets to exist, they have taken cattle which would otherwise have passed through some other channel. It is the U.S.D.A.'s contention that the major factor contributing to decline in the importance of the terminal market has been the large increase in the number of auction markets.[4] This view has not been shared by all authors, but the differences in findings could be attributed

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[1] National Commission on Food Marketing, Organization and Competition in the Livestock and Meat Industry, Technical Study No.1 (Washington, D.C: U.S. Government Printing Office, 1966), p. 2.

[2] United States Department of Agriculture, Marketing Costs and Margins for Livestock and Meats, Marketing Research Report No. 148, (Washington, D.C: U.S.D.A., 1960), pp. 16-17.

[3] Ibid., p. 16. The number of auction markets has increased from approximately 200 in 1930 to 2374 in 1959.

[4] Ibid.

locational differences in the studies. Newberg, for example, reported that in the North Central Region of the United States, auction markets were becoming a more important channel for feeder cattle and calves at the expense of direct sales, not terminal markets.[1] The National Commission on Food Marketing saw the increasing number of hard surfaced highways and an increasing reliance upon trucks for transportation as the major contributing factors to the declining importance of the terminal market.[2]

With respect to slaughter cattle, the decentralization of the packing industry has been the major contributor to the decreasing importance of the terminal market. With packing facilities located near centers of major supply, producers have been able to avoid inconvenience and extra expense by selling directly to the packing plants.[3]

Newberg found that auction markets dominated the feeder cattle market in 1956.[4] In the North Central Region, 49.5 percent of all feeder cattle and calves were sold through the auction market. Terminal sales accounted for 19.1 percent; 17.5 percent were sold to other farmers and 12.3 percent went to dealers. In comparing his figures with a

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[1] Richard R. Newberg, "Where Farmers and Ranchers Buy and Sell," Livestock Marketing in the North Central Region, Research Bulletin 846 (Wooster, Ohio: Ohio Experimental Station, 1959), p. 27.
[2] National Commission on Food Marketing, op. cit., p. 17.
[3] Ibid.
[4] Richard R. Newberg, op.cit.,p. 27.

study done in 1940 by the South Dakota Agricultural Station,[1] Newberg found that auction markets had, since 1940, substantially increased in importance with respect to the number of feeder cattle being marketed through this channel.

Henning, Newberg and Lewis found that the reasons given by producers for their choice of markets when selling livestock varied widely.[2] Except for those farmers who used only one outlet, convenience was the most common reason given. The most common factor given by those using more than one outlet was price. Other reasons for choosing a specific marketing outlet included buyer competition, higher net return, lower selling cost, premium for quality and less shrinkage. The reasons given by some farmers for choosing one particular marketing outlet were often the same ones given by others for not choosing that same outlet. This exemplified locational differences in the sample and the quality of the specific outlets in their regions.

Newberg, in his studies in the North Central Region[3] concurred that convenience was the major reason for selecting a specific market except for those farmers who

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[1] Marketing Livestock in the Corn Belt Region, Bulletin No. 365 (South Dakota: State Experimental Station, 1942).
[2] G.F. Henning, R.R. Newberg, and J.H. Lewis, Market Outlets Used by Ohio Farmers in Selling and Buying Livestock, Bulletin No. A.E. 297 (Wooster, Ohio: Ohio Experimental Station, 1958), p. 23. (mimeographed.)
[3] R.R. Newberg, op. cit., p. 109.

utilized the terminal market. In this case, price was the major reason for the producer's choice. Newberg found that the amount of farm visiting done by buyers, sellers and market representatives and the opinions of other producers also had a definite influence upon the choice of marketing alternative.

Newberg,[1] and Henning, Newberg, and Lewis,[2] et.al. polled producers to determine why producers did not use a particular marketing channel. Their results were very similar. The most cited criticism of terminals was that the marketing costs were too high for the services rendered. There were a wide range of criticisms concerning auction markets. Collusion among buyers and/or sellers and too few buyers were the most often noted. Others included: auctioneer not working each lot of cattle enough; operator or auction employees selling in own ring; and rough handling of livestock. Dealers were suspect on their accuracy of weights and were criticized for their prices being too low.

Evaluation Of Available Marketing Channels

Conventional wisdom suggests the employment of exchange efficiency and operational efficiency criteria in evaluating overall market efficiency. Following the logic developed in

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[1] R.R. Newberg, op. cit .
[2] G.H. Henning, R.R. Newberg, and J.H. Lewis, op. cit ., p. 29.

Chapter II, exchange efficiency is measured in terms of how well prices reflect costs.[1] Operational efficiency is measured in terms of the physical cost of producing utility-yielding marketing service.[2]

Several authors have recently suggested additions to the above as criteria for evaluating market efficiency. Although these will not be employed in this study, they do merit mention.

Hawkins suggests the addition of several "market expansion criteria" in evaluating the performance of a market of marketing channel.[3] Four variables were suggested in establishing market expansion criteria: product development strategy; price lining strategy; advertising and promotional strategy; and product distribution strategy.

Johnson utilized several other criteria in addition to exchange and operational criteria in evaluating the alternative marketing methods for fed cattle.[4] Bargaining position, as defined by Johnson, referred to the protection or lack thereof that a particular selling method offered the

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[1] A.A. Warrack, "A Conceptual Framework for Analysis of Marketing Efficiency," Canadian Journal of Agricultural Economics, Vol. 20, No. 3 (Nov. 1972), p. 16.

[2] Ibid.

[3] M.H. Hawkins, "Alternative Methods of Marketing Livestock," Canadian Journal of Agricultural Economics, Vol. 17, No. 3 (1969), p. 108.

[4] Ralph D. Johnson, An Economic Evaluation of Alternative Marketing Methods for Fed Cattle (Lincoln, Nebraska: University of Nebraska, 1972).

producer against short-run price declines due to local and/or temporary market disturbances. As Johnson stated, bargaining position is to a large degree inversely related to selling flexibility cost, which is defined as the cost associated with refusing to accept the offered price and not selling until some later time.[1]

Exchange Effeciency

Exchange efficiency has been evaluated in terms of "how closely each selling method fulfills the conditions of perfect competition which results in perfectly competitive prices, the ultimate in exchange efficiency."[2] Johnson outlined the necessary conditions of a perfectly competitive market as being:

> 1. Buyers and sellers must have equal bargaining power; neither must be able to influence prices by any artificial restriction of supply or demand.
>
> 2. Products must be accurately priced on the basis of their value determining charateristics.
>
> 3. All buyers must have perfect knowledge or an equal opportunity to bid on all offers to sell.
>
> 4. All buyers and sellers must have perfect knowledge with respect to the current exchange price.[3]

He pointed out the following characteristics of a

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[1] Ibid., p. 51.
[2] Ibid., p. 39.
[3] Ibid.

perfect market:

> 1. For each market there is a single buying or selling price.
>
> 2. Price differences between markets are equal to the necessary cost of moving the commodity from one market to the other.
>
> 3. Price differences between grades or classes of a commodity are exactly equal to their value differences.[1]

In evaluating the various marketing alternatives Johnson exposed several sources of exchange inefficiency. Those selling methods which utilized live weight and grade as the basis for pricing were ranked lower than those which employed carcass weight and grade. Live weight pricing was felt to be less accurate than objective carcass pricing. In opting for the teletype method of selling, Johnson ranked all other selling methods inferior with respect to their ability to universally distribute accurate pricing information to buyers and sellers. Teletype selling was the only one which enabled the total population of buyers and sellers to avail themselves of first-hand pricing information.[2]

Other authors have exposed various sources of exchange inefficiency in the marketing channels which are presently

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[1] Ibid .

[2] Ibid . For a complete discussion of Johnson's evaluation of available and potential marketing methods, refer to Ralph D. Johnson, An Economic Evaluation of Alternative Marketing Methods for Fed Cattle , (Lincoln, Nebraska: University of Nebraska, 1972).

available to producers. McIntosh, using dummy variables in a study on cattle price analysis, found that slaughter cattle were priced significantly higher at terminals than at auctions, while feeders were priced significantly higher at auctions.[1] He also found that a full condition depressed prices for both types of cattle, but that empty feeder cattle and medium and empty slaughter cattle received a premium. Since McIntosh did not quantify these differences in price based on condition of fullness, it was not possible to prove any inefficiency in the exchange system, but as Johnson pointed out that it was virtually impossible to make an accurate estimate of value on the basis of live weight,[2] a certain degree of exchange inefficiency can be assumed.

Newberg came to several conclusions with respect to the way which producers view competition:

> The data suggests that to many farmers competition is an uncertain thing unless it is evidenced by the physical meeting and bidding for the lot of his livestock by several buyers at essentially the same time as is the case in terminals and auctions. Competition between outlets, which manifests itself in higher prices or more service, apparently is seen by farmers simply as higher offered prices or more services rather than as inter-market competition.[3]

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[1] Curtis E. McIntosh, "A Statistical Analysis of Cattle Prices" (Unpublished M.Sc. Thesis, Department of Agricultural Economics, University of Alberta, 1968).
[2] Ralph D. Johnson, op. cit., p. 44.
[3] R. F. Newberg, op. cit., p. 110.

Operational Efficiency

Operational efficiency, which is synonymous with total marketing cost (direct and indirect), includes all non-pricing activities associated with delivering cattle from producer to purchaser. As Johnson states:

> Physical operational efficiency is not directly involved in the price establishing activity of the market; but, it does have a marked effect upon direct marketing costs and an indirect effect upon price levels which, of course, affect net returns.[1]

In his study, which dealt specifically with fed cattle, Johnson included as direct costs the combined out-of-pocket costs of selling and buying. Under indirect costs he included transportation cost and yield and killing efficiency differences. He identified two aspects of killing efficiency: the cost of carrying over cattle to equalize within week receipts and kill schedules; and the in-plant effect of variable receipts upon killing costs.[2]

After correlating all direct costs, Johnson ranked available and potential selling mechanisms with respect to

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[1] Ralph D. Johnson, op. cit., p. 31.
[2] Ralph D. Johnson, op. cit., pp. 31-39.

operational efficiency:

> Consignment selling is the most efficient (least cost) selling method, teletype auction second, telephone auction third, direct and telephone direct tied for fourth and fifth, country commission sixth, auction market seventh, and the terminal market of selling is eighth.[1]

Other authors, in studying the efficiency of specific marketing channels, have exposed numerous areas of operational inefficiency. Miller and Henning found that the number of markets in operation had direct effects on the efficient operation of the marketing system:

> When too many markets exist, many are apt to be weak financially and lack resources to efficiently carry on the necessary marketing functions.[2]

They felt that the optimum size of market would be reached at between 30,000 and 55,000 marketing units annually.[3] Newberg, in his studies in the North Central Region, suggested that minimum efficient scale could be reached at between 15,000 and 20,000 marketing units annually.[4] Newberg found that there was a large degree of variation in inputs per animal unit between various markets

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[1] Ralph D. Johnson, op. cit., p. 39.
[2] Edgar A. Miller and George F. Henning, Suggested Location of Ohio Livestock Markets to Reduce Total Marketing Costs, Research Bulletin 981 (Wooster, Ohio: Ohio Agricultural Research and Development Center, 1966), p. 3.
[3] Marketing unit is defined as one cow or steer, two calves, five hogs, or five sheep and lambs.
[4] R.R. Newberg, "Auction Markets," Livestock Marketing in the North Central Region, Research Bulletin 961 (Wooster, Ohio: Ohio Agricultural Experimental Station, 1963), p. 59.

and thereby concluded that there was much room for improvement in the area of operational efficiency.

In the area of indirect marketing costs, Henning and Thomas undertook to determine the factors influencing the shrinkage of livestock.[1] They found the major determinants of shrink to be amount of fill and method of handling. They therefore recommended short hauls and careful handling in an attempt to reduce shrink. They also suggested that producers consider the amount of shrinkage that can be expected before taking animals off feed and before accepting price bids.

Market Information Sources

As was noted in Chapter II, market information must be accurate and readily available if an efficient exchange system is to be maintained. "The present marketing system for livestock depends on market information for its successful operation."[2] Hawkins suggested several problems in the market information system which make it difficult for

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[1] G.F. Henning and P.R. Thomas, Some of the Factors Influencing the Shrinkage of Livestock from the Farm to the First Market, Research Bulleting 925 (Wooster, Ohio: Ohio Agricultural Experiment Station, 1962).

[2] M.H. Hawkins, op. cit., p. 106.

the producer to successfully meet the changes which occur in the market place.[1] In the first instance, there was a lack of relevant data as auction market sales and direct packer sales were not reported by government reporting agencies. Secondly, data were scattered and incomparable given the inaccuracy of live weight evaluation techniques and the lack of availability of trained reporting personnel. Thirdly, there was a problem of "Confidential" data which were collected then not released for producers or research purposes.

Producers do rely relatively heavily upon certain sources of market information, even though these particular informational sources sometimes lack credibility. Newberg found that reports from terminal markets usually heard over the radio or television accounted for over one half of the market news reports used by farmers.[2] Reports from auction markets were found to be second in importance. The National Commission of Food Marketing concurred with Newberg and made

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[1] Ibid .
[2] R.R. Newberg, "Where Farmers and Ranchers Buy and Sell," p. 89.

reference to one additional important observation:

> As the share of livestock sold at terminal markets declined, the pricing of live animals became increasingly decentralized but in buying and selling away from terminal markets many firms and individuals have continued to rely heavily upon reported terminal prices. The accuracy of terminal market prices in reflecting general supply and demand conditions, along with speed in reporting such prices have thus become important to a growing number of transactions elsewhere. Also important have been the precision of livestock quality descriptions and the ranges of prices included in the terminal market reports.[1]

It might be added that as the trend continues toward selling through some channel other than the terminal, the ability of the terminal market to accurately reflect demand and supply conditions will further diminish.

Summary

There has been a shift in the pattern of marketing of both feeder cattle and fed cattle in recent years. The auction market has become the major marketing institution in the case of feeder cattle. Fed cattle have increasingly tended to circumvent the terminal markets and auction markets, and have instead been marketed directly to the packers.

While the operational aspect of market efficiency has

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[1] National Commission on Food Marketing, op. cit., p. 4.

been improved because of this shift, the same may not be true with respect to the exchange component of market efficiency. Exchange efficiency in paricular is dependent upon adequate amounts of accurate market information. Since direct-to-packer sales of fed cattle are not reported, the amount of market information available has diminished in the area of fed cattle. The increased trend toward the auction market channel for feeder cattle may also have had adverse effects upon market information as information from the auction markets is confined to local distribution.

The shift in the pattern of marketing has affected the accuracy of information upon which producers base their buy and sell decisions. Although the terminal markets are handling fewer cattle, several studies found that the terminal market report was the major information source for many producers.

Johnson evaluated the various marketing channels for fed cattle with respect to operational efficiency, exchange efficiency, bargaining position and industry applicability. Of interest to this study was the fact that teletype selling ranked first in all four categories and therby ranked first overall. Terminal market selling ranked third and auction market selling ranked sixth overall.

CHAPTER V

STATISTICAL REVIEW OF THE ALBERTA CATTLE MARKET

The Alberta Market

Changing production patterns and changes in the location of production have resulted in a change in the pattern of marketing both feeder and fed cattle in the Province of Alberta. With different needs in the area of the feeder cattle acquisition and different abilities with respect to fed cattle marketing, concentrated feedlot operations have been a major force in changing cattle marketing patterns in the Province.

Chapter V will describe cattle marketing patterns in the Province with special reference to the changes which have taken place in recent years and the resulting problems to which the cattle producer has been subjected.

Cattle Movements

As was pointed out in Chapter III, Southwestern and Northeastern Alberta have in recent years emerged as the major beef cattle producing regions in the Province. Central Alberta has been the Province's main dairy cattle producing region. With fed cattle production concentrated in the south central region of the Province, a large number of beef and dairy cattle produced in other regions of the Province have been moved to the south central region to be

fed for slaughter.

Table 5.1 and Figure 5.1 outline cattle on feed as a percentage of total cows for each Census Division in the Province in 1971 and in so doing, point out those regions which have a deficiency in supply and those which have an excess supply of feeder cattle. The number of cattle on feed as a percentage of total number of cows is given in column threeof Table 5.1. By comparing this figure for each Census Division with the provincial average of 51.02 percent[1] one is able to determine the degree of self-sufficiency of each Census Division in the area of feeder cattle production.

As is illustrated in the table, Census Divisions 2, 5, 6 and 8 were deficient with respect to feeder cattle production. Census Division 7 and 10 were approximately self-sufficient and Census Divisions 1, 3, 4, 9, 11, 12, 13, 14, and 15 produced a supply of feeder cattle far in excess of their requirements for feeding. Although these figures are not net of imports and exports into and out of the Province, they do give some indication of the movement of feeder cattle within the Province.

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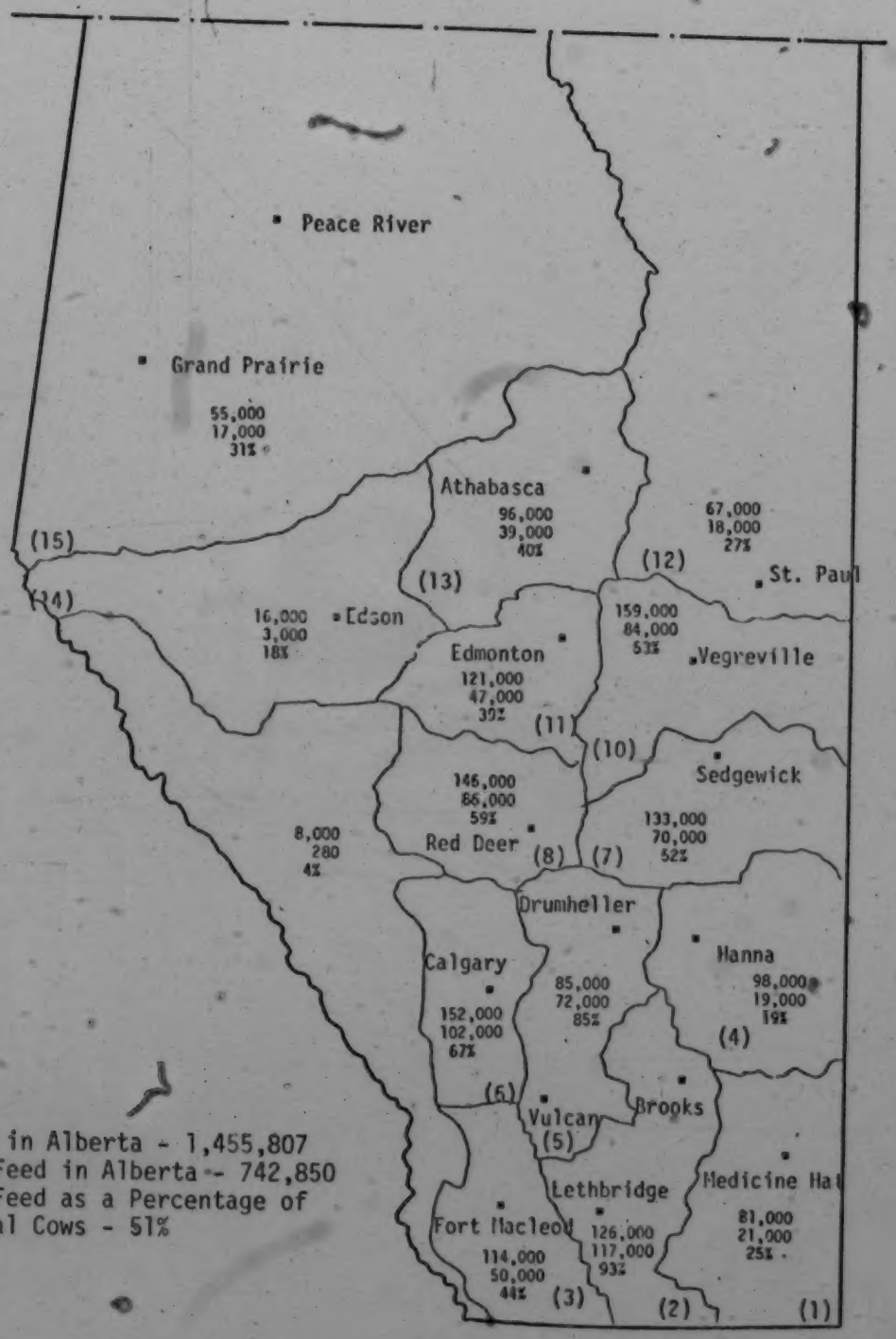
[1] The average is calculated by dividing the total cattle on feed by the total cows. While this figure seems low, if one applies an 85 percent calving average, subtracts 20 percent for herd replacement and 10 percent as a loss figure, an average of 51.02 percent becomes quite reasonable if one accounts for exports of feeder cattle to the east and imports of feeder cattle from neighboring provinces.

FIGURE 5.1

CATTLE ON FEED AS A PERCENTAGE OF TOTAL COWS, 1971



Total Cows in Alberta - 1,455,807
Cattle on Feed in Alberta -- 742,850
Cattle on Feed as a Percentage of
Total Cows - 51%

Source: Statistics Canada, Advance Bulletin,Catalogue No. 96-719 (AA-2). (Ottawa: Statistics Canada, August, 1972).

TABLE 5.1

CATTLE ON FEED AS A PERCENTAGE OF TOTAL COWS, 1971

C.D.	Total Cows	Cattle on Feed	Cattle on Feed % of Total Cows
1.	81,245	20,525	25.26
2.	125,507	116,726	93.00
3.	113,960	725	43.63
4	97,429	18,182	18.66
5	85,352	72,487	84.92
6	152,316	102,143	67.05
7	133,074	69,541	52.25
8	145,547	86,354	59.33
9	7,687	280	3.64
10.	158,178	83,971	53.08
11.	120,184	46,462	38.65
12.	67,051	17,976	26.80
13.	96,917	38,589	39.81
14.	16,166	2,839	17.61
15.	55,244	17,050	30.86
Mean:	97053.8	49523.3	51.02

Source: Statistics Canada, Advance Bulletin , Catalogue No. 96-719 (AA-2) (Ottawa: Statistics Canada, August 1972).

Except for those cattle which were shipped east for slaughter, fed cattle tended to be slaughtered very near where they were produced.[1] As sufficient packing facilities were located near all major fed cattle producing regions there was relatively little movement of fed cattle within the Province except to the nearest packing plant.

Marketing Channels Available To Alberta Producers

There are seven main marketing channel options open to cattle producers in Alberta.[2] Although it was impossible to obtain meaningful data with respect to several of the channels, relatively accurate data are available for the auction and terminal markets. Those for which accurate data are not available include private treaty, private auction, sealed bid, buying station and dealer sales.

Terminal Market

The importance of the terminal market as a method of marketing cattle in Alberta has been declining in recent years. Of the three terminal markets (at Lethbridge, Calgary, and Edmonton) the Lethbridge market has shown the largest relative decline. Tables 5.2, 5.3, and 5.4

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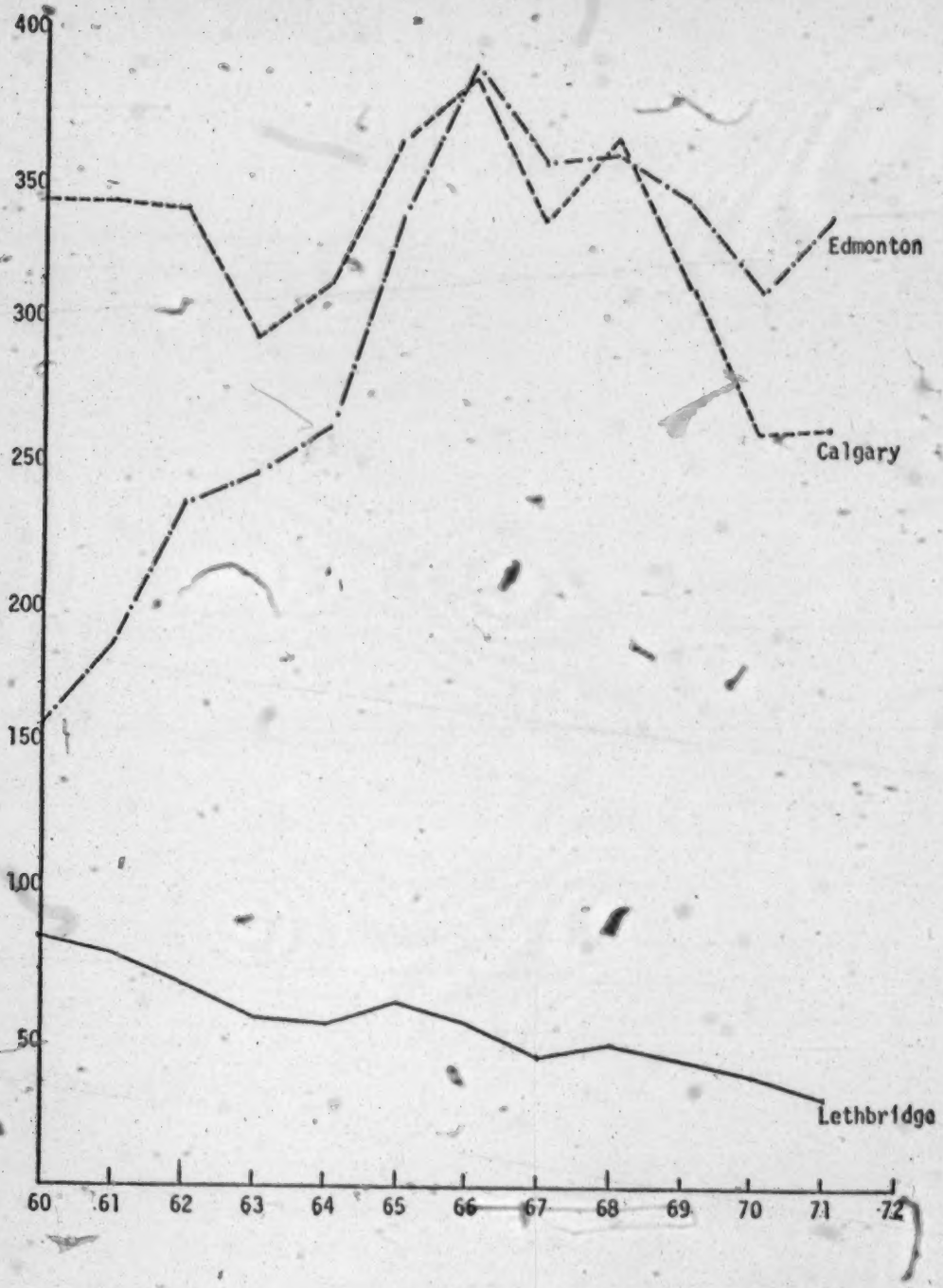
[1] Interviews with feedlot operators in Southern Alberta.
[2] Refer to Appendix II for a definition of marketing channels.

summarize sales of cattle and calves at Alberta's three terminal markets from 1960 to 1972. In Calgary, the sale of cattle and calves has a slight downward trend since the mid 1960's. In Lethbridge, the trend has been downward since the early 1960's. While cattle sales in Edmonton have been on a decreasing trend since 1966, calf sales have been on a rather steady upward trend since the early 1960's. Figure 5.2 illustrates the trend in number of cattle and calves sold at the three terminal markets.

This general downward trend in the number of cattle marketed through the terminal market has taken place during a period when the total number of cattle and calves in the Province, and therefore, the total number of marketings has been on a reasonably steady upward trend. Table 5.5 shows an upward trend in the total number of cattle and calves on farms (by Agricultural Reporting Area). The terminal market is handling a lesser percentage of the cattle and calves in the Province each year. While most of the fed cattle which are being re-routed away from the terminal market are being sold directly to the packing plants, re-routed feeder cattle are in the main being sold through the auction markets.

FIGURE 5.2

CATTLE AND CALVES SOLD AT TERMINAL STOCKYARDS - 1960-1971



Source: Canada Department of Agriculture; Edmonton Livestock Market Report, 1960-71; Calgary Livestock Market Report, 1960-71; and Lethbridge Livestock Market Report, 1960-71.

TABLE 5.2

SALES OF CATTLE AT TERMINAL STOCKYARDS, 1960-1971

	Lethbridge	Calgary	Edmonton	Total
1960	72091	295222	132279	499592
1961	60767	275302	148638	484707
1962	52487	261922	189343	503752
1963	40984	239970	195200	476154
1964	40097	260676	212183	512956
1965	45297	296240	286239	627776
1966	40768	310384	293123	644275
1967	32269	279236	257752	569257
1968	38041	311608	255651	605300
1969	33632	278171	242843	554646
1970	32291	229718	209599	471608
1971	25293	219228	218955	463476

Source: Canada Department of Agriculture: Edmonton Livestock Market Report, 1960-1971; Calgary Livestock Market Report, 1960-1971; and Lethbridge Livestock Market Report, 1960-1971.

Table 5.3

SALES OF CALVES AT TERMINAL STOCKYARDS, 1960-1971

	Lethbridge	Calgary	Edmonton	Total
1960	15052	49289	26521	90862
1961	19736	69396	33261	122393
1962	20221	75283	51944	147448
1963	16644	52929	54256	123729
1964	15871	56305	53012	125188
1965	18602	71701	51001	141304
1966	13561	63522	86617	163700
1967	12372	57524	96986	166882
1968	12547	53495	103098	169140
1969	13715	38025	102002	153742
1970	11319	36825	104416	152560
1971	9953	48164	119914	178031

Source: Canada Department of Agriculture; Edmonton Livestock Market Report, 1960-1971; Calgary Livestock Market Report, 1960-1971; and Lethbridge Livestock Market Report, 1960-1971.

TABLE 5.4

SALES OF CATTLE AND CALVES AT TERMINAL STOCKYARDS, 1960-1971

	Lethbridge	Calgary	Edmonton	Total
1960	87143	344511	158800	590454
1961	80503	344698	181899	607100
1962	72708	337205	241287	651200
1963	57528	292899	249456	599883
1964	55968	316981	265195	639144
1965	63899	367941	337240	769080
1966	54329	373906	379740	807975
1967	44641	336760	354738	736139
1968	50588	365103	358103	774440
1969	47347	316196	344845	708388
1970	43610	266543	314015	624168
1971	35246	267392	338869	641507

Source: Canada Department of Agriculture; Edmonton Livestock Market Report, 1960-1971; Calgary Livestock Market Report, 1960-1971; and Lethbridge Livestock Market Report, 1960-1971.

TABLE 5.5

Total Cattle and Total Cattle and Calves on Farms by Agricultural Reporting Areas

ARA	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
1	269.6	255.3	251.1	262.3	291.2	298.6	316.0	320.8	320.3	329.6	327.5	355.3
2	408.1	402.9	381.2	429.1	441.1	427.4	456.8	462.8	443.6	453.5	472.5	526.6
3	492.7	492.4	494.7	531.9	543.3	540.2	620.0	629.4	635.7	648.3	725.6	770.4
4	510.7	526.0	543.4	589.7	608.5	602.3	646.2	639.4	611.1	634.4	654.6	696.6
5	414.1	450.6	472.9	488.8	519.0	526.9	597.3	593.0	557.7	594.0	618.1	676.0
6	239.7	258.5	281.8	301.4	316.4	331.4	344.6	335.9	323.5	341.2	376.6	422.0
7	96.1	114.3	114.9	107.8	113.0	115.2	109.1	99.7	98.1	99.0	107.1	108.1
TOTAL	2,431.0	2,500.0	2,540.0	2,711.0	2,833.0	2,844.0	3,090.0	3,081.0	2,990.0	3,100.0	3,282.0	3,545.0

Source: Alberta Department of Agriculture, Agricultural Statistics For Alberta, Edmonton, Alberta, 1960-1971.

Auction Markets

Between 1960 and 1972 there was a 221.7 percent increase in the number of cattle being sold through the auction markets,[1] although the number of class D, E, and F auction markets increased by only 35.2 percent.[2] Table 5.6 summarizes the number of cattle sold through auction markets in the Province and the number of Class D, E, and F stockyards which held licences in the years 1960 to 1972.

Of the large increase in the number of cattle being marketed through auction markets, a large majority, approximately 90 percent, are feeder cattle.[3] While the auction markets do handle some fed cattle, the fed cattle portion of their sales is in most cases less than 10 percent of the total cattle and calves sold through the market.[4]

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[1] All class "D", "E", and "F" stockyards are, for the purpose of this study, classified as auction markets.
[2] While the numbers of cattle being marketed through the auction markets in the Province are accurate, it is impossible to discern exactly how many individual animals these numbers represent. It is known that some cattle are resold through the auction markets and terminals several times, but the exact number of cattle being sold more than once is impossible to calculate. The Regularory Services Branch of the Alberta Department of Agriculture has traced individual brands and found that in certain isolated cases, individual animals have been marketed up to seven times.
[3] Records of the Regulatory Services Branch of the Alberta Department of Agriculture.
[4] Ibid .

TABLE 5.6

CATTLE AND CALVES SOLD THROUGH AUCTION MARKETS, 1960-1971

Year	Through Class D Stockyards	Through Class E & F Stockyards	Total	Number of Class D,E, & F Stockyards
1960	276612	30900	307512	51
1961	350020	24812	374832	60
1962	396800	22926	419726	74
1963	424551	23507	448018	67
1964	470330	28848	499178	65
1965	514327	19852	534179	64
1966	559379	16225	575604	61
1967	606511	12459	616870	64
1968	663676	15639	679315	67
1969	704766	11129	715895	61
1970	742220	13430	755650	66
1971	840865	17136	858001	69

Source: Records of the Regularory Service Branch of the Alberta Department of Agriculture.

In 1966, Manning completed a study evaluating the effect of the auction markets on the performance of the

livestock marketing system in Alberta. He concluded:

> Taking the structure, conduct and performance aspects together, country auctions appear to have had a strong positive influence on the efficiency of the livestock marketing system in Alberta. Although there continues to be room for improvement, the auctions are performing a necessary function and generally performing it well. No invidious comparison with terminal markets is implied because the performance of other parts of the livestock marketing system have yet to be evaluated. Each part of the system probably performs some functions which none of the others could do as well. The country auctions have a special advantage in the handling of feeder livestock. Competition in the production of marketing services is greater than would exist in the absence of country auctions. As a result, there is greater equality of bargaining power to the advantage of the livestock producers, and the overall performance of the market has been improved, not only in terms of efficiency but probably in terms of equity as well.[1]

Private Treaty, Private Auction, Sealed Bid, Buying Station, And Dealers

Private treaty, private auction, sealed bid, buying stations and country dealers are the five major remaining marketing channels open to Alberta producers. Although at one time important in the sale of fed cattle, the private

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[1] T.W. Manning, Country Livestock Auctions and Market Performance, , Technical Bulletin 1 (Edmonton, Alberta: Department of Extension, University of Alberta, 1966).

treaty channel has become less important in recent years. Packers estimate that between 70 percent and 90 percent of the fed cattle bought in 1960 were purchased via the private treaty method. In 1971, the proportion of fed cattle purchased via the private treaty method had diminished to between 20 percent and 30 percent. The sealed bid and private auction methods of selling have increased in importance such that in 1971, packers estimate that between 70 percent and 75 percent of fed cattle were bought via these two methods. Although there are some feeder cattle being sold via the private treaty channel, data are not available and it is impossible to determine even a close estimate of the number of feeder cattle being sold via the private treaty channel.

Buying stations have been a relatively important marketing channel in the northern part of the Province, although they have become less important than in the past. With improved transportation and communication facilities producers have increasingly been able to undertake personally the marketing of their cattle. With the increasing prominence of the auction market and the wide range of services offered by the auction market, producers have tended to move from the buying station to the auction market.

With an informed producer population, country dealers have declined in importance in recent years. As Jensen reported, the dealers' main function in 1966 was one of arbitrage.[1] While dealers seem to have declined in relative importance as country on-farm buyers, they still perform an arbitrage function at the auction markets.[2] Manning noted that in 1962, dealers had purchased 28.0 percent of the cattle sold at Alberta auction markets.[3]

Summary

The shift in the pattern of marketing of fed cattle and feeder cattle has been similar to the shift which has been experienced in the United States. Whereas the terminal market was a most popular marketing channel in the past for both feeder cattle and fed cattle, there has been a definite shift away from the terminal market for both kinds of cattle. Fed cattle have increasingly been sold directly to the packers and feeder cattle have increasingly been sold

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[1] Paul A. Jensen, "Country Livestock Auction Markets and the STructure, Conduct, and Performance of the Alberta Livestock and Livestock Eschange Services Markets, "Unpublished Master's Thesis, Department of Agricultural Economics, University of Alberta, 1966.

[2] It is sometimes difficult to differentiate between dealers and other buyers as one individual may perform both functions. With improved information services and therefore better informed producers, it is assumed that the opportunity for dealers to exist by performing only an arbitrage function has declined. It is quite likely that those who at one time operated strictly as dealers have now assumed the role of order buyer as well.

[3] T.W. Manning, op. cit., p. 18.

via the local auction market. Little can be said about the use of other marketing channels as statistics are not available.

As was pointed out in the summary of the last chapter, operational efficiency is likely improved under this new marketing pattern, but exchange efficiency may be lessened as credible market information becomes more difficult to obtain.

CHAPTER VI

FEEDER CATTLE MARKETING IN SOUTHERN ALBERTA

The Study Area

The study area outlined in Figure 6.1 was chosen for this initial study for several reasons. First, the southern part of the Province has historically been and is presently a major contributor to Alberta's livestock and meat industry. Second, all agricultural sectors which contribute to a thriving livestock and meat industry are represented in the area. All Regions in the study area[1] produce beef-type calves in substantial numbers although the production technique utilized differs depending upon the Region in question.

Extensive ranching-type beef cattle production is dominant in the Eastern Region and Western Region of the study area. There are several large ranch-type operations in the southern part of the Central Region as well. Ranch-type operations are deemed the most appropriate form of beef cattle production in these Regions, largely because of the topographic and climatic conditions in evidence.

Beef cattle production in the central and northern parts of the Central Region tend to be carried out under more intensive conditions, often in a mixed farming

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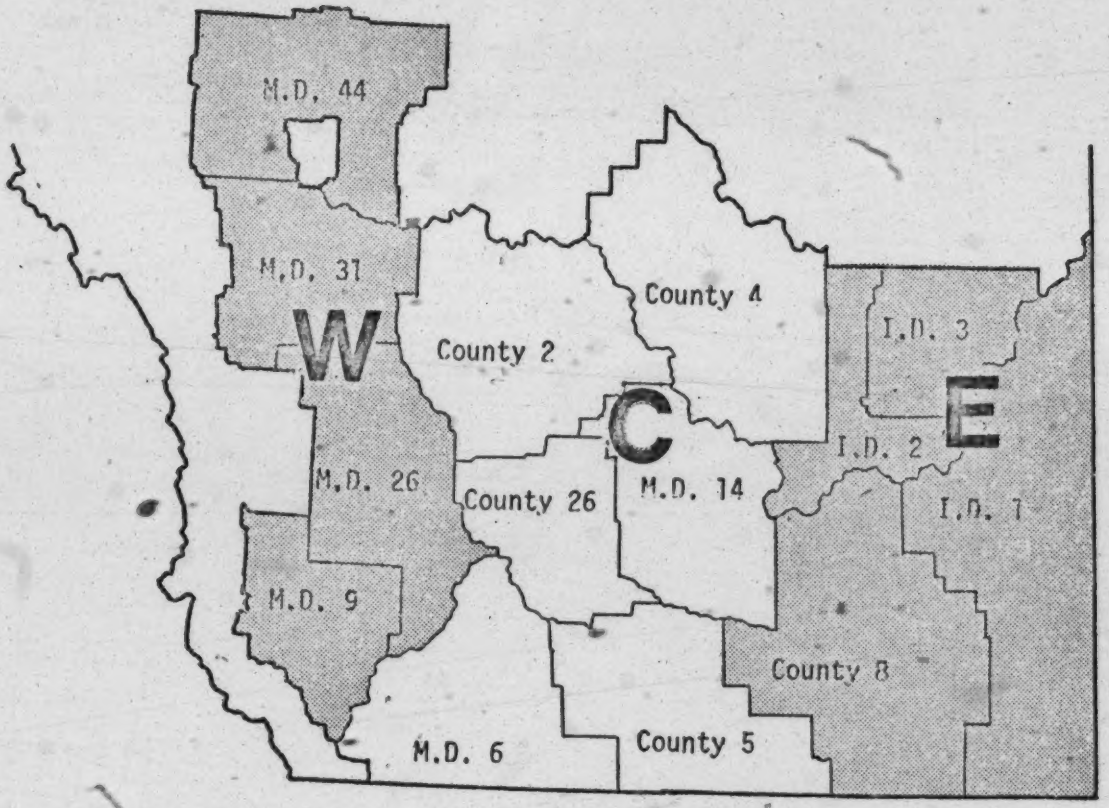
[1]Figure 6.1 designates the Western, Central, and Eastern Regions of the study area.

FIGURE 6.1

STUDY AREA AND REGIONS
WITHIN THE STUDY AREA.



environment as this area is particularly well suited to the production of cereal grains and row crops. The large amounts of cereal grains which are grown in the Central Region provide the feed base for the dominant role which the Central Region plays in Alberta's cattle feeding industry.

The livestock industry in the study area is supported by adequate packing facilities[1] and a relatively advanced marketing mechanism for both feeder and fed cattle.

In 1972, data were collected from producers of feeder cattle, marketing agents and feedlot operators within the study area, in an effort to determine the marketing methods utilized and the problems associated with the marketing of feeder cattle in southern Alberta.[2]

The description of the feeder cattle market undertaken with a view to evaluating the market and recommending changes which may improve market efficiency.

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[1] For a complete discussion of the packing industry in the study area, refer to: Anne McLean Bullen, op.cit.

[2] It must be stressed that this study deals exclusively with the southern part of the Province as outlined in Figure 6.1. It is recognized that other regions of the Province have different production and marketing patterns; therefore conclusions which are stated regarding the marketing of feeder cattle in the study area may not necessarily be applied to other areas in the Province.

Data

The area of study included the Counties, Municipal Districts and Improvement Districts illustrated in Figure 6.1. In the spring and summer of 1972, data were collected from producers, feeders and marketing agents regarding their operations in 1971.

Of the 3,436 questionnaires mailed to prospective producers in the study area, 993 questionnaires, or 28.8 percent, were returned. Of these questionnaires, 439, or 12.8 percent, were found to be useful in one or more parts of the study.

The names of those to whom a questionnaire was mailed were chosen in the following way. Using a list of random numbers, four sections were chosen from each township in the study area. The owner of land in each of these sections was mailed a questionnaire. In those cases in which the owner was a non-resident or was renting his land, the owner was requested to forward the questionnaire to the individual who was farming the land. In this way, an attempt was made to formulate a sample which adequately represented the study area, thereby exposing any regional differences.

The second and third phases of the study were completed using the personal interview technique. This approach was taken, as there were a relatively small number of marketing

agents and large cattle feeders in the study area. Of fourteen Class D,E, and F stockyards holding licences in the study area in 1971, the owner-operators of seven of these markets were interviewed. Those interviewed included the owners of several of the larger, and thereby more influential, markets in the study area.

Fifty-four feedlot operators were also interviewed, forty-eight of which owned a feedlot with a capacity in excess of 1,000 head. Because such a large percentage of the cattle on feed in the study area were concentrated in feedlots with capacity in excess of 1,000 head,[1] the data obtained from these fifty-four feedlot operators provided a basis of the analysis for this sector of the feeder cattle market.

For some parts of the analysis, the study area has been divided into three Regions (Western, Central and Eastern) in an attempt to detect any locational differences in the sample. The Regions are illustrated in Figure 6.1. Noticeable differences found to exist between the three Regions are reported under the appropriate heading in the following sections.

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[1] Representatives of the packing industry suggested that approximately 70 percent of their 1971 slaughter was obtained from feedlots with capacity in excess of 1,000 head.

Results

Chapter VI outlines the results of mailed questionaires and personal interviews which were undertaken in 1972. The first section of the analysis reports the results of the questionnaire which was mailed to producers. Section two reports the results of a survey of larger feedlots in the study area, and section three reports the results of interviews with auction market managers in the study area. By utilizing this procedure, one is able to discuss the selling side of the market, analyse the buying side of the market, and then discuss the marketing mechanism which provides the interface between the two.

Results of Questionnaire Mailed to Producers in the Study Area

The Sample

Table 6.1 outlines the distribution of mailed questionnaires and the distribution of returned questionnaires for each of the three Regions in the study area.

The largest number of questionnaires, 1535, were mailed in the Central Region. The Western Region received 1404 questionnaires, and 497 were mailed in the Eastern Region. The largest percentage of usable returns, 16.9 percent, came

from the Eastern Region. Percentage of usable returns for the Western and Central Regions were 11.3 percent and 12.8 percent.

TABLE 6.1

DISTRIBUTION OF MAILED AND RETURNED QUESTIONNAIRES BY REGION

	Western Region	Central Region	Eastern Region	Total
Number Mailed in Each Region	1404	1535	497	3436
Mailings in Each Region as a Percent of Total Mailings	40.9	44.7	14.4	100.0
Number of Usable Returns by Region	159	196	84	439
Usable Returns as a Percent of Total Mailed	11.3	12.8	16.9	12.8
Usable Returns in Each Region as a Percent of Total Usable Returns	36.2	44.6	19.1	100.0

Table 6.2 outlines the distribution of returned questionnaires by the type of operation.

TABLE 6.2

DISTRIBUTION OF RETURNED QUESTIONNAIRES BY TYPE OF OPERATION

	Purebred Breeder	Grain Farmer	Feedlot Operator	No Cattle	Marketed Feeder Cattle	Total
Number of Replies	7	53	256	238	439	993
Percent of Total Returns	.7	5.3	25.8	24.0	44.2	100.0
Percent of Total Mailing	.2	1.5	7.4	6.9	12.8	28.9

As the study dealt exlusively with the feeder cattle market, only 439 of the 993 questionnaires returned were used in the study.

Those producers who marketed feeder cattle were considered under four categories:

1. Cow-calf operators who sold calves
2. Cow-calf operators who sold yearlings
3. Those who purchased calves and sold yearlings.
4. Dairy farmers who sold culled cattle as feeder cattle.

Table 6.3 outlines the distribution of producers vis a vis the above four categories for each region.

TABLE 6.3

DISTRIBUTION OF PRODUCERS OF FEEDER CATTLE BY TYPE OF OPERATION

		Cow-Calf, Sell Calves	Cow-Calf, Sell Yearlings	Buy Calves, Sell Yearlings	Dairy Farmer
Western Region	Number	87	62	9	1
	Percent[1]	19.8	14.1	2.1	0.2
Central Region	Number	127	61	6	2
	Percent[1]	28.9	13.8	1.4	0.5
Eastern Region	Number	47	36	1	0
	Percent[1]	10.7	8.2	0.2	0.0
Total	Number	261	159	16	3
	Percent[1]	59.5	36.2	3.6	0.7

[1] Those figures in the "percentage" rows are calculated as a percentage of 439 usuable returns.

Cow-calf producers who sold calves formed the largest single group in the sample. The second largest group was cow-calf operators who sold yearlings. Those who purchased calves and sold yearlings and dairy farmers formed only a small proportion in the sample.

The number of cattle of each class marketed by producers varied widely throughout the sample. Table 6.4 outlines the number of producers and the percentage of

producers marketing calves, light feeders, medium feeders, heavy feeders, cows and finished cattle in each size category in the study area.

TABLE 6.4

Producer Marketings of Calves, Light Feeders, Medium Feeders, Heavy Feeders, Cows and Finished Cattle

		< 12	12-32	33-47	48-100	101-199	200-499	> 500	Total
Calves	Number	52	34	20	27	17	6	2	158
	Percent[1]	11.8	7.7	4.6	6.2	3.9	1.3	0.5	36.0
Light Feeders	Number	70	60	47	56	37	6	2	278
	Percent[1]	15.9	13.7	10.7	12.8	8.4	1.3	0.5	63.3
Medium Feeders	Number	59	24	19	27	14	15	1	159
	Percent[1]	13.4	5.5	4.3	6.2	3.2	3.4	0.2	36.2
Heavy Feeders	Number	43	10	7	10	11	5	1	87
	Percent[1]	9.8	2.3	1.6	2.3	2.5	1.1	0.2	19.8
Cows[2]	Number	213	44	17	14	9	3	3	303
	Percent[1]	48.5	10.0	3.9	3.2	2.0	0.7	0.7	69.0
Fed Cattle	Number	30	7	12	11	16	6	3	85
	Percent[1]	6.9	1.6	2.7	2.5	3.6	1.3	0.7	19.4

[1] Percentages are calculated by dividing the number in each category by the total usable returns, i.e. 439.

[2] The large percentage of producers marketing less than 12 cows reflects the practice of replacing undesirable cows in the breeding herd and finishing the rejects.

Method of Marketing Feeder Cattle

Producers utilized various methods in marketing their feeder cattle in 1971. Table 6.5 outlines the number of producers who utilized each of the marketing methods and the percentage (of the total number of producers marketing each class of cattle) which that number represented. For all classes of cattle, the auction market was the most popular method of marketing. Next in importance was the commission firm. Direct sales to the feedlot operator was the third most popular method of marketing. A relatively large number of producers marketed cows directly to a packer buyer.

Of those marketing cows, 2.8 percent finished the cows in their own feedlot and then marketed them as finished cows. Very few producers used the facilities of a custom feedlot in finishing their own cattle.

TABLE 6.5

UTILIZATION OF MARKETING CHANNELS BY PRODUCERS FOR EACH CLASS OF CATTLE

		Calves	Light Feeders	Medium Feeders	Heavy Feeders	Cows
Local Auction	Number	125	241	118	45	196
	Percent[1]	81.1	78.5	68.6	55.6	68.2
Order Buyer	Number	2	13	8	2	5
	Percent[1]	1.3	4.2	4.7	2.5	1.7
Commission Firm	Number	17	32	22	20	45
	Percent[1]	11.0	10.4	12.8	24.7	15.7
Packer Buyer	Number	1	3	4	5	32
	Percent[1]	0.6	1.0	2.3	4.9	11.1
Direct to Feedlot Operator	Number	6	14	16	2	0
	Percent[1]	3.9	4.6	9.3	2.5	0.0
Fed in Custom Feedlot	Number	1	0	1	1	1
	Percent[1]	0.6	0.0	0.6	1.2	0.3
Fed in Producers Feedlot	Number	2	4	3	7	8
	Percent[1]	1.3	1.3	1.7	8.6	2.8
Total	Number	154	307	172	81	287
	Percent[1]	100.0	100.0	100.0	100.0	100.0

[1] The percentage is calculated by dividing the number of producers in each box by the total number of producers marketing that class of cattle.

Producers were asked which of the available marketing channels they felt to be the most satisfactory when marketing feeder cattle. Table 6.6 summarizes producer responses to that question. Of all producers in the sample, 72.9 percent preferred the auction market, 13.4 percent preferred the commission firm and 11.2 percent preferred the direct selling method. Of those who returned the questionnaire, 2.5 percent were undecided as to which marketing method was the most satisfactory.

TABLE 6.6

PRODUCER PREFERENCE FOR MARKETING CHANNEL

Marketing Channel	Positive Responses	Positive Responses As A Percent Of Total Responses
Auction Market	320	72.9
Commission Firm	59	13.4
Direct to Order Buyer or Feedlot Operator	49	11.2
Undecided	11	2.5
Total	439	100.0

Approximately 64 (63.9) percent of the respondents in the Western Region preferred the local auction market. Comparable figures in the Central and Eastern Regions were 78.1 percent and 78.6 percent. On the other hand, 27.8

percent of the respondents in the Western Region preferred the commission firm as a marketing channel for their feeder cattle. Comparable figures for the Central and Eastern Regions were 6.6 percent and 2.4 percent, relatively. The relative popularity of the commission firm in the Western Region reflected the influence of the Calgary Terminal Market in that region. This influence appeared to lessen as one moved east from the Central to the Eastern Region.

A further regional difference was noted with respect to the popularity of the direct selling method. The direct selling method received more favor in the Eastern Region (16.7 percent of the responses favored direct selling) than it did in either the Western Region (8.5 percent) or the Central Region (10.7 percent).

Producers stated several advantages in dealing with each marketing channel. Table 6.7 summarizes the responses of those who preferred the auction market.

TABLE 6.7

ADVANTAGE IN DEALING WITH THE AUCTION MARKET

Advantage	Positive Responses
Increased Buyer Competition	133
Short Haul	33
Reputation of Market Agent	5
Equal Treatment for All Producers Regardless of Size	3
Lower Commissions	2
Will Arrange Hauling	1

The most often stated reason for dealing with the auction market was that there was competition among the buyers at the auction market. This increased buyer competition was assumed by most producers to manifest itself in higher prices. A short distance to market was the second most important reason for dealing with the auction market. Producers noted several advantages in marketing their cattle

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[1] Short distance to market was of notable importance in showing preference for the auction market method of selling. The average distance from the farm to the auction market for all those who used the auction market in this study was 30.0 miles. Hawkins and Hurnanen in 1970 found the average distance from the farm to the auction market to be 22 miles in the Province of Alberta (Hawkins and Hurnanen, op. cit., p. 5.). The larger distance found in this study reflects the longer distance to market required due to the sparseness of population in the Eastern Region and Western Region of the study area.

near their farm.[1] A short distance to market afforded the seller a relatively high degree of what Ralph D. Johnson defined as "bargaining position".[1] Other advantages of short distance to market included less stress and less shrink and increased convenience.

Table 6.8 outlines the reasons for producers preference of the commission firm as a method of selling.

TABLE 6.8

ADVANTAGES IN DEALING WITH THE COMMISSION FIRM

Advantage	Positive Responses
Multitude of Buyers Implying Increase Buyer Competition	26
Availability of Advice from Commission Agent	4

Buyer competition, which was associated with higher prices, was given as the major reason for dealing with a commission firm. The other reason given was the availability of marketing information and advice from the commission agent.

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[1] Johnson, op. cit., p. 51. Bargaining postion is inversely related to "selling flexibility cost" which is the cost associated with refusing to accept an offered price.

Table 6.9 summarizes the advantages as seen by producers in selling directly to an order buyer or feedlot operator.

TABLE 6.9

ADVANTAGES IN SELLING DIRECT

Advantages	Positive Responses
Minimum Risk Regarding Price	18
High Selling Flexibility	10
No Yardage or Commission Costs	10
Minimum Stress on Cattle	8
No Exposure to Disease	1

The major motivation for selling direct was the fact that price risk was minimized. Producers were aware of the price they were going to receive before the cattle left the farm. Associated with minimized price is risk increased bargaining position. Other reasons for selling direct included the absence of commission and yardage costs, minimum stress and no exposure to disease.

Problems With the Marketing Channels

While the auction market was the most utilized and the most preferred marketing channel, producers noted more problems in dealing with the auction market than with either direct selling or selling via the commission firm. Of eighty-five producers who had experienced some problems with one or more marketing channels, seventy-two had experienced problems with the auction market. Five producers had experienced problems with the commission firm and nine had experienced problems in dealing directly with either an order buyer or feedlot operator. Table 6.10 outlines the problems which producers had experienced in dealing with the auction market.

The major problem in dealing with the auction market was the lack of an adequate number of buyers. Nineteen producers (22.9 percent of the respondents) alluded to this problem. The problem was not general, but rather appeared at specific markets or on specific sale days. For example, poor weather

TABLE 6.10

PROBLEMS IN DEALING WITH THE AUCTION MARKET

Problem Area	Positive Responses	Percent Of Total Positive Responses
Lack of Adequate Number of Buyers	19	22.9
Excessive Shrink Due To Long Stand or Rough Handling	17	20.5
Unexplained Prive Variation With Cattle of Equal Quality	11	13.3
High Commissions	11	13.3
Cattle Not Sold in the Order They Were Delivered	6	7.2
Questionable Weighing Procedure	5	6.0
Unwarranted Price Spread Between Steers and Heifers	4	4.8
Poor Handling Facilities	4	4.8
Not Enough Time Taken in Selling the Cattle	3	3.6
Improper Sorting Prior to Sale	2	2.4
Brands Not Properly Read	1	1.2
Total	83	100.0

usually resulted in an insufficient number of buyers being present at the sale. Excessive shrink due to a long stand or rough handling was another problem in dealing with the auction markets but this problem too, was one which occurred at specific markets on specific sale days. The problem was

of particular importance at large calf sales in the fall. The third most prevalent problem to producers was the high commissions charged by the auction markets. Other problems, in decreasing order of prominence, included: unexplained price variation with cattle of equal quality; cattle not being sold in the order in which they were delivered; questionable weighing procedure; an unwarranted price spread between steers and heifers; poor handling facilities at the auction market; not enough time taken in selling the cattle; improper sorting prior to the sale; and brands not being read properly.

TABLE 6.11 outlines the problems which producers had experienced in using the direct selling method.

TABLE 6.11

PRODUCER PROBLEMS WITH DIRECT SELLING

Problem Area	Positive Responses	Percent of Total Positive Responses
Trend to Discount Off-Color Animals	6	54.5
Poor Prices	2	18.2
No Premium for Preconditioning	2	18.2
Too Many Cut-Backs	1	9.1
Total	11	100.0

The most prevalent problem experienced by producers when selling direct was the trend of buyers to discount off-color animals. Several producers had received lower prices when dealing direct. Two producers noted the buyers' unwillingness to pay a premium for preconditioned feeder animals and one producer complained that buyers had cut back too many cattle. Several producers noted that the place at which the cattle were weighed (the length of the haul from the farm to the scale) was a direct determinant of the shrink on the cattle and that this should certainly be taken into account when deciding upon the weighing location and the shrink allowed.

Table 6.12 summarizes the problems which producers had experienced with commission firms.

TABLE 6.12

PRODUCER PROBLEMS WITH COMMISSION FIRMS

Problem Area	Positive Responses	Percent Of Total Positive Responses
High Commissions	6	46.1
Price Variation With Cattle of Equal Quality	6	46.1
Commission Firm Acting as Both Buyer and Seller	1	7.8
Total	13	100.0

Preconditioning of Feeder Cattle

Of the 439 producers who returned a useful questionnaire, 390 undertook some type of preconditioning. Table 6.13 illustrates the type of preconditoning which was undertaken and the length of time between the treatment date and the date of sale.

Table 6.13 indicates that over 80 percent of the producers in the study area dehorned, castrated and vaccinated for blackleg. Sixty-nine percent used a warble control treatment. A lesser percentage vaccinated for

shipping fever (46.5 percent) and weaned calves before they were sold (38.5 percent). Only 18.5 percent of the producers creep fed their calves.

TABLE 6.13

Preconditioning of Feeder Cattle

Type of Preconditioning	Positive Responses	Positive Responses As A % Of Total Usable Responses (439) (439)	Mean Time Between Treatment Date And Sale Date (months)	Range (months)
Creep Fed	81	18.5	5.1	1 to 15
Weaned Before Sale Date	169	38.5	3.8	1 to 15
Dehorned	359	81.8	6.9	1 to 24
Castrated	390	88.9	6.1	1 to 24
Warble Control	303	69.0	4.0	1 to 24
Vaccinated for Shipping Fever	204	46.5	4.2	1 to 24
Vaccinated for Black Leg	388	88.4	5.4	1 to 24

When asked if they felt there was a premium paid for preconditioned cattle, 95 producers responded positively, 303 responded negatively and 41 were undecided. Those who gave a positive response were asked to state how much the premium was for preconditioned cattle. Answers ranged from $.25 per cwt. to $5.00 per cwt. with the mean being $2.22 per cwt.

Market Information

Producers were asked the source they utilized in obtaining market information. As a supplementary question, producers were also asked if they were receiving adequate amounts of information and accurate information from those sources to which they subscribed. Table 6.14 outlines the information sources which were utilized by producers.

As Table 6.14 indicates, personal visits to the auction market and the radio livestock report were the two most popular sources of market information for producers. Auction market reports , newspaper reports and discussions

TABLE 6.14

INFORMATION SOURCES UTILIZED BY PRODUCERS

Information Source	Positive Responses	Percent Of Total Responses (439)
Canfax	17	3.9
Radio Livestock Report	350	79.7
Visit to Auction Market or Terminal	373	85.0
Auction Market Report	21	4.8
Via Word of Mouth From Fellow Producers	20	4.6
Newspaper Reports	26	5.9
Disucssion With Commission Agents	13	3.0
Discussion With Feedlot Operators	1	0.2
Reports in Livestock Magazines	12	2.7
Discussion With Auction Market Managers	9	2.0
Market Reports From U.S.A.	1	0.2

with other producers provided a source of market information for about 5 percent of the producers. Canfax was used by 3.9 percent, and approximately 3 percent used discussions with their commission agent and reports in the livestock magazines as their source of information. Discussions with auction market managers provided an information source for

2.0 percent of the producers and only 0.2 percent utilized reports from the U.S.A. and discussions with feedlot operators as a source of information.

Producers were asked if they were receiving adequate amounts and accurate information from those marketing information sources which they utilized. From the usable returns, 351 producers,or 79.9 percent, felt that they were receiving adequate amounts of information. There were 346 producers, or 78.8 percent, who were satisfied with the accuracy of the information which they received. Two producers, or .5 percent, were undecided as to the accuracy of information which they recieved.

Although the majority of the respondents were satisfied with the amount of information they had received and the accuracy of this information, many suggested ways in which they felt market information could be improved. Table 6.15 outlines producers' views as to how market information could be improved.

TABLE 6.15

WAYS OF IMPROVING MARKET INFORMATION TO PRODUCERS

Suggested Improvement	Positive Responses	Positive Responses as a Percent Of Total Responses
Make Available Reports From All Auction Markets in the Area	23	5.2
Market Reports Should State Top and Bottom Prices and the Number of Cattle Sold at Each Market	22	5.0
Market Reports Should Include a Weighted Average Price for Each Class of Cattle and Not Just the Top and Bottom Prices	20	4.6
Increased Use of Canfax by Producers and Feedlot Operators	12	2.7
Increased Emphasis on Forecasting by Reporting Agencies	8	1.8
Establishment of a Grading System for Feeder Cattle	5	1.1
Market Reports Should Include Prices of Cattle from Across Canada	4	1.0
An Indication of the Weight of Animals Should Be Associated With the Price Quotation	4	1.0
A Breed Designation Should be Associated With Weight and Price Quotations	2	0.5

TABLE 6.15 Continued

Increased Availability of the Price of Dressed Beef	2	0.5
Once a Week the Cost of Feeding Should Be Related to the Price of Finished Cattle	1	0.2
Increased Information Regarding the Two-Way Movement of Cattle Across the United States Border	1	0.2
More Accurate Statistics With Respect to the Number of Cattle on Feed	1	0.2

Contractual Arrangements

Producers were questioned as to their use of contractual arrangements-- both written contracts, and oral contracts or understandings. Thirty-eight producers, 8.7 percent of the usable returns, had been involved in written contracts and 117 producers, or 26.7 percent of the usable returns, had utilized oral contracts.

The terms of contracts into which producers had entered varied widely. Table 6.16 summarizes the contract terms of those who had entered into written contracts. Table 6.17 summarizes the contract terms of those who had been involved in oral contracts.

TABLE 6.16

TERMS OF WRITTEN CONTRACTS

Terms	Written Contracts
Length of Contract:	
Average Term	55 Days
Range	7 Days to 365 Days
Shrink:	(percent)
No Shrink	18.4
Overnight Stand	15.8
Percentage Shrink	65.8
Average	2.8
Range	1 to 4
Transportation:	
By Buyer	23.7
By Seller	52.6
By Both	23.7
Heifers or Steers:	
Heifers Only	10.5
Steers Only	21.1
Both	68.4
Cutbacks Allowed:	
Average Per Contract	4.5
Range	Nil to 10
Months of Delivery:	
Jan.	5.3
Mar.	7.9
July	2.6
Oct.	44.7
Nov.	39.5

TABLE 6.17

TERMS OF ORAL CONTRACTS

Terms	Oral Contracts
Length of Contract:	
Average Term	28 Days
Range	7 Days to 365 Days
Shrink:	(percent)
No Shrink	19.7
Overnight Stand	33.3
Percentage Shrink	47.0
Average	2.9
Range	1 to 5
Transportation:	
By Buyer	26.5
By Seller	47.0
By Both	26.5
Heifers or Steers:	
Heifers Only	10.3
Steers Only	20.5
Both	69.2
Cutbacks Allowed:	
Average Per Contract	4.2
Range	Nil to 10
Months of Delivery:	
Jan.	1.7
Feb.	1.7
Mar.	5.1
Apr.	2.6
May	2.6
June	3.4
Aug.	2.6
Sept.	3.4
Oct.	45.3
Nov.	29.9
Dec.	1.7

Producers utilized several methods in arriving at an agreeable price for the sale of contracted cattle. Table 6.18 summarizes the responses of 120 producers who answered the question: "On what basis was the contract price established?"

TABLE 6.18

BASIS FOR ESTABLISHING CONTRACT PRICE

	Positive Responses	Percent Of Total Positive Responses
Auction Market Price on Date of Delivery	71	59.2
Auction Market Price at Time of Contract Agreement	24	20.0
Calgary Terminal Price on Date of Delivery	22	18.3
Sealed Bids	2	1.7
Winnipeg Futures Price	1	0.8

Approximately 59 percent of the producers utilized the auction market price as the basis for their contract price. Twenty percent of the producers also tied their contract price to the price of comparable cattle at the auction market, but they agreed upon a price at the time at which the contract agreement was made. The Calgary Terminal Market price on the date of delivery was used by 18.3

percent; 1.7 percent accepted sealed bids and 0.8 percent used the future price of cattle on the Winnipeg Commodity Exchange as the basis for the contract price.

When asked if they expected to use contracts in the future, approximately 10 percent replied affirmatively, 20 percent replied negatively and 5 percent were undecided. The question was not answered by 65 percent.

Producers forwarded a number of suggestions to those using contracts. The suggestions included:

1. Be sure that all details of the contract are clear.
2. Have an impartial party available when cattle are weighed.
3. Be sure of the reliability of the person with whom you are dealing.
4. Become involved in only short-term contracts.
5. Take a substantial down-payment.
6. Tie contract price to market price.
7. Don't become involved with contracts.

It would appear from the above list of suggestions that numerous producers had had bad experiences in dealing with contracts. This added to the relatively small percentage who stated their intention to become involved with contracts would lead one to believe that contractual arrangements will in the future be of only minor importance in southern

Alberta's feeder cattle market.

Private Treaty Sales

Sixty-seven producers, or 15.3 percent of those who returned usable questionnaires, had sold feeder cattle by private treaty. The terms of these private treaty sales are summarized in Table 6.19.

TABLE 6.19

PRIVATE TREATY SALES: TERMS OF SALE

Terms	Details Of Sale (percent)
Shrink:	
No Shrink	13.4
Overnight Stand	26.9
Percentage Shrink	59.7
Average Shrink	3.0
Range	1.5 to 5.0
Transportation:	
By Buyer	34.3
By Seller	43.3
By Both	22.4
Cutbacks Allowed:	
Average Per Sale	4.2
Range	Nil to 10.0
Time From Sale Date to Delivery Date:	
Average Time	3.4 Days
Range	1 Day to 14 Days

Results From the Survey of Feedlots in the Study Area

The Sample

Of fifty-four feedlot operators polled during the summer of 1972, fourteen were located in the Western Region, thirty-five were located in the Central Region and five were located in the Eastern Region.

In order to determine the size of those feedlots, in the sample each was asked the number of cattle which were marketed from the feedlot in 1971. The average number of cattle marketed varied in each area with feedlots in the Central Region having the largest number of marketings. The average number of cattle marketed by each feedlot in the Western Region was 4,406.6. Average finished cattle marketings in the Central and Eastern Regions were 7,263.1 and 2240.0, respectively. The size distribution of feedlots in each Region is outlined in Table 6.20. As the Table shows, the Central Region had the largest percentage of feedlots which marketed 5,000 head and over.

TABLE 6.20

SIZE DISTRIBUTION OF FEEDLOTS IN STUDY AREA

	Less Than 1000	1000-2499	2500-4999	5000 and Over	Total
Western Region					
Number	6	2	4	2	14
Percentage	4.3	14.3	28.6	14.3	100.0
Central Region					
Number	3	5	9	18	35
Percentage	8.6	14.28	25.7	51.4	100.0
Eastern Region					
Number	1	2	1	1	5
Percentage	20.0	40.0	20.0	20.0	100.0
Total					
Number	10	9	14	21	54
Percentage	18.5	16.7	25.9	38.9	100.0

Class of Cattle Being Fed

Four classes of cattle (heifers, steers, bulls, and cows) were marketed by feedlots in the study area. Table 6.21 illustrates the distribution of feedlots within each size category which marketed each class of cattle in the Western Region. Tables 6.22 and 6.23 indicate the distribution of feedlots marketing each class of cattle in each size category for the Central and Eastern Region respectively.

TABLE 6.21

WESTERN REGION: DISTRIBUTION OF CATTLE MARKETINGS BY FEEDLOT SIZE

	Less Than 1000	100-2499	2500-4999	500 and Over	Total
Fed Heifers					
Number	8	1	1	1	11
Percentage[1]	57.2	7.1	7.1	7.1	78.6
Fed Steers					
Number	6	3		2	13
Percentage[1]	4.28	21.4	14.3	14.3	92.9
Fed Bulls					
Number	5	0	1	0	6
Percentage[1]	35.7	0.0	7.1	0.0	42.9
Fed Cows					
Number	7	1	0	0	8
Percentage[1]	50.0	7.1	0.0	0.0	57.1

[1] Percentages are calculated by dividing by 14, the number of feedlots in the Western Region.

TABLE 6.22

CENTRAL REGION: DISTRIBUTION OF CATTLE MARKETINGS BY FEEDLOT SIZE

	Less Than 1000	1000-2499	2500.4999	5000 and Over	Total
Fed Heifers					
Number	11	11	4	4	30
Percentage[1]	31.4	31.4	11.4	11.4	85.7
Fed Steers					
Number	4	12	8	10	34
Percentage[1]	11.4	34.9	22.9	28.6	97.1
Fed Bulls					
Number	16	1	1	0	18
Percentage[1]	45.7	2.9	2.9	0.0	51.4
Fed Cows					
Number	5	3	1	0	9
Percentage[1]	14.3	8.6	2.9	0.0	25.7

[1] Percentages are calculated by dividing by 35, the number of feedlots in the Central Region.

TABLE 6.23

EASTERN REGION: DISTRIBUTION OF CATTLE MARKETINGS BY FEEDLOT SIZE

	Less Than 1000	1000-2499	2500-4999	5000 and Over	Total
Fed Heifers					
Number	4	1	0	0	5
Percentage[1]	80.0	20.0	0.0	0.0	100.0
Fed Steers					
Number	1	2	1	0	4
Percentage[1]	20.0	40.0	20.0	0.0	80.0
Fed Bulls					
Number	3	0	0	1	4
Percentage[1]	60.0	0.0	0.0	20.0	80.0
Fed Cows					
Number	1	0	0	0	1
Percentage[1]	20.0	0.0	0.0	0.0	20.0

[1] Percentages are calculated by dividing by 5, the number of feedlots in the Eastern Region.

Feedlot operators in the Western and Central Regions appeared to show a preference for steers as 92.85 percent of feedlot operators in the Western Region and 97.14 percent in the Central Region marketed fed steers in 1971. In the Eastern Region, heifers appeared to be the most popular class of cattle -- 100 percent of the feedlot operators marketed fed heifers in 1971.

Marketing Channels Utilized in the Purchase of Feeder Cattle

Table 6.24 outlines the preference of the feedlot operators with respect to the marketing channel which they utilized in purchasing feeder cattle.

TABLE 6.24

PURCHASE OF FEEDER CATTLE: MARKETING CHANNEL PREFERENCE BY REGION

	Auction Market (Cattle Bought By Operator)	Order Buyer	Private Treaty (Cattle Bought By Operator)
Western Region			
Number	0	10	4
Percent	0.0	71.4	28.6
Central Region			
Number	5	24	6
Percent	14.3	68.6	17.1
Eastern Region			
Number	0	0	5
Percent	0.0	0.0	100.0

As Table 6.24 indicates, the preference of the majority of feedlot operators in the Western and Central Regions was the order buyer. The data showed that this was particularly true of the larger operators in the sample. All the feedlot operators in the Eastern Region preferred the private treaty method of purchasing feeder cattle. The correlation between feedlot capacity and marketing channel was inconclusive except for the fact that the order buyer method of acquiring cattle was the most preferred in each lot size category. This fact is illustrated in Table 6.25 which shows the marketing channel preference of feedlots in each size category.

TABLE 6.25

PURCHASE OF FEEDER CATTLE: MARKETING CHANNEL PREFERENCE BY SIZE CATEGORY

	Less Than 1000	1000-2499	2500-4999	More Than 5000
Auction Market				
Number	0	3	1	1
Percentage	0.0	10.7	9.1	11.1
Order Buyer				
Number	24	16	7	7
Percentage	66.7	57.1	63.6	77.8
Private Treaty				
Number	2	9	3	1
Percentage	33.3	32.1	27.3	11.1
Number	6	28	11	9
Percentage	100	100	100	100

The reasons given by feedlot operators for preference of a particular marketing channel were similar irregardless of region or feedlot capacity. Those who preferred making their purchases of feeder cattle personally at the auction market did so largely because of the desirability of having a large number of cattle available at one time in one place. These buyers placed a high value on being able to purchase their cattle personally, but didn't feel that they could afford the time or money required to drive around the country and purchase cattle directly from farmers and ranchers. Purchasing cattle from the auction market allowed them to be personally involved in the choosing of their cattle without having to undergo a great deal of inconvenience and extra expense.

Those who preferred the order buyer method of acquiring feeder cattle did so because of the convenience which it afforded them. They were either not able or not willing to take the time required to purchase cattle from producers, either directly or through the auction market. Most felt that their order buyers performed well and at a reasonable cost.

Those who preferred the private treaty method of purchasing cattle did so because they believed that there were either price benefits, quality benefits, or condition benefits to be realized. The latter two benefits were cited

most often. It was felt by many that by purchasing cattle directly from a producer with a reputation for good quality cattle, one was lessening the risk of receiving cattle of poor quality. Most felt the risk of receiving poor quality cattle to be very high when purchasing cattle through any of the other marketing channels. Those who preferred the private treaty method placed a premium on the condition of the animals which they received. They agreed that good condition was much more likely in animals which had been purchased directly from the producer. By avoiding the stress of excessive handling and hauling which often accompanied the purchase of cattle through the auction market, buyers were more able to insure good condition.

Problems With the Marketing Channels

With respect to problems which they had encountered using any of the marketing channels, 57.4 percent of all the feedlot operators stated that they had encountered no problems with any of the marketing channels. The percentage of operators encountering no problems was different in each region, with 71.4 percent of those in the Western Region having encountered no difficulties. Comparable statistics for the Central and Eastern Regions were 51.4 percent and 60.0 percent, respectively.

Correlations between size category and the frequency of

negative answers to the question of marketing problems were as follows: 66.7 percent of those in the size category "less than 1,000" had encountered no problems with any of the marketing channels; for the size category "1,000 to 2,499", 57.1 percent had encountered no problems; for the category "2,500 to 4,999", 45.5 percent had encountered no problems; and for the category "greater than 5,000", the comparable statistic was 66.7 percent. Marketing problems in the acquisition of feeder cattle increased with increased size of feedlot until the feedlot reached a capacity of greater than 5,000 head. Acquisition problems then diminished.

Feedlot operators cited a variety of problems which they had experienced in using the marketing channels available for the purchase of feeder cattle, but one problem evolved as the major one. Of the feedlot operators polled, 22.2 percent stated that they had experienced problems with order buyers who either had not sent them the type of cattle which they had ordered or had not sent them cattle of the appropriate weight. Added to these problems was the fact that the cattle purchased through order buyers were often delivered in very poor condition, due to either excessive or abusive handling. Three feedlot operators, all located in the Central Region, and all with a feedlot capacity of between 1,000 and 2,499 head, stated that, although their preference would have been to buy feeder cattle personally, the demands on their time and the expense involved forced

them to utilize an order buyer. Two operators had on several occasions experienced what they considered an excessive waiting period between the time the order was placed and the time the order was filled.

Several feedlot operators had also encountered disease problems in cattle which were purchased through the auction market. They felt this problem to be three-fold. In the first case, many producers, rather than sell a sick animal subject or simply attmept to bring the animal back to good health, sold these diseased animals through the auction market. In the second case, auction market operators were not refusing to sell such animals. A further problem was the fact that healthy animals were being exposed to sick animals at the auction markets.

Another problem cited by one feedlot operator was the fact that the owner of the auction market bid on cattle in the ring. The feedlot operator considered this an undesirable practice, regardless of whether or not the auction market manager had an order for cattle.

Two feedlot operators felt that dealing directly with the farmer or rancher was a problem in certain cases as the producer usually expected top market price for his cattle, whether or not the quality of his cattle warranted the top price.

One feedlot operator noted that dealers often took excessive profits and for this reason, this operator no longer dealt with them.

Preconditioning of Calves and Feeder Cattle

When asked if they paid a premium for preconditioned calves and feeder cattle, 16.7 percent of the feedlot operators responded positively, 25.9 percent responded negatively and 57.4 percent stated that preconditioned calves and feeder cattle were not readily available. Those who had given the latter response were asked if they would pay a premium for preconditioned calves and feeder cattle if they were available. Of thirty-one feedlot operators who had stated that preconditioned cattle were not available, twenty-one, or 67.8 percent, responded positively to the second question, six, or 19.3 percent, responded negatively and four, or 12.9 percent, were undecided. Assuming preconditioned calves and feeder cattle were readily available, 55.6 percent of the feedlot operators were willing pay a premium for them, 37.0 percent would not, and 7.4 percent were undecided. Table 6.26 indicates the number of feedlots in each region which were willing to pay a premium for preconditioned feeder cattle and the amount which they were willing to pay.

TABLE 6.26

PREMIUM PAID BY FEEDLOT OPERATORS IN EACH REGION FOR PRECONDITIONED CALVES AND FEEDER CATTLE

	$ Per Cwt.											
	0.0	.25	.50	.75	1.00	1.50	2.00	2.50	3.00	3.50	4.00	5.00
Western	6	1	0	1	2	1	0	0	1	0	1	1
Central	17	1	2	0	1	1	9	2	1	1	0	0
Eastern	1	1	1	0	1	0	1	0	0	0	0	0

In the Western Region, 57.1 percent of the feelot operators were willing to pay a premium for preconditioned feeder cattle. Comparable statistics for the Central and Eastern Region were 51.4 percent and 80.0 percent. A much higher percentage of feedlot operators in the Eastern Region were willing to pay a premium for preconditoned and feeder cattle than in either the Central or Western Regions.

Table 6.27 indicates the number of feedlots in each size category which were willing to pay a premium for preconditioned feeder cattle and the amount which they were willing to pay. In the size category "less than 1,000", 70 percent were willing to pay a premium for preconditioned feeder cattle. Comparable figures for the remaining size categories were as follows: "1,000 to 2,499", 67 percent; "2,5,00 to 4,999", 71 percent; and "5000 and over", 67 percent. Approximately the same percentage of feedlots in

each category were willing to pay a premium for preconditioning.

TABLE 6.27

PREMIUM PAID BY FEEDLOT OPERATORS IN EACH SIZE CATEGORY FOR PRECONDITIONED CALVES AND FEEDER CATTLE

	$ Per Cwt.											
	0.0	2.5	.50	.75	1.00	1.50	2.00	2.50	3.00	3.50	4.00	5.00
<1000	3	1	0	1	0	0	3	0	2	0	0	0
1000 to 2499	3	0	1	0	0	1	2	1	0	0	0	1
2500 to 4999	4	2	1	0	1	2	3	0	0	0	1	0
≥5000	7	1	2	0	2	2	5	1	1	0	0	0

Tables 6.26 and 6.27 indicate a wide range with respect to the amount of premium which feedlot operators were willing to pay for preconditioning, from $0.25 per cwt. to $5.00 per cwt. The average amount for all feedlot operators was $1.78 per cwt.

In all cases, those who gave negative responses to: "Did you, or would you, pay a premium for preconditioned calves and feeder cattle?" gave as a reason for their negative response the fact that there was no way, unless they were directly involved, that they could be sure of what

type of precondtioning the cattle had undergone and whether or not it had in fact been done. Also, they usually had very specific ideas as to what constituted desirable and necessary preconditioning.

Each feedlot operator was asked to identify those elements which he felt constituted a preconditioning program. Table 6.28 summarizes feedlot operators' responses to the variety of possibilities which might be included in a preconditioning program.

TABLE 6.28

DESIRABILITY OF VARIOUS ELEMENTS OF PRECONDITIONING

	Positive (percent)	Negative (percent)	Indifferent (percent)
(1) Creep feeding	25.9	57.4	16.7
(2) Vaccination for shipping fever	88.9	9.3	1.9
(3) Vaccination for blackleg	88.9	11.1	0.0
(4) Weaning prior to sale date	88.9	7.4	3.7
(5) Dehorning	94.4	5.6	0.0
(6) Castration	75.9	7.4	16.7
(7) Treatment for warbles	90.7	5.6	3.7

In no particular region or size category did the

results differ substantially from the results for all regions and size categories. Over 85 percent of those in the sample agreed that vaccination for shipping fever and blackleg, weaning prior to sale date, dehorning and treatment for warbles were desirable elements of a preconditioning program. Castration and creep feeding were not as desirable, with 57.4 percent of the sample seeing creep feeding as an undesirable in a preconditioning program. Of the total number of feedlot operators, 16.7 percent of the feedlots were indifferent with respect to both creep feeding and castration. The relatively large percentage of negative and indifferent responses with respect to creep feeding and castration reflects the influence of Canada's new beef grading system with its preference for lean beef and its recognization of young bull carcasses in the 'A' grades.

Feeder Cattle Availability

Of the fifty-four feedlot operators interviewed, 61.1 percent noted a problem at certain times of the year in obtaining an adequate number of the type of feeder cattle they desired; 38.9 percent had experienced no problem in this regard. Most who had experienced a problem conceded that the problem was usually one of price rather that one of feeder cattle availability. The cattle were usually available if one wished to pay the asking price although

certain individuals had experienced serious problems in obtaining cattle during the mid and late summer months. Problems in obtaining feeder cattle were largely confined to those lots which had feedlot capacity of 1,000 head or greater. Only 20 percent of the lots with capacity less than 1,000 had noted any problem with feeder cattle availability.

Availability of Feed

Feed availability was not a problem anywhere in the study area. Only one feedlot operator of the fifty-four polled had experienced any problem in obtaining feed for his feedlot.

The Decision to Purchase Feeder Cattle

Of the feedlot operators, 74.1 bought feeder cattle on a continual basis although 66.7 percent of those interviewed purchased more cattle at one particular time of the year. Of the thirty-six operators (66.7 percent of the sample) who purchased a larger percentage of their feeder cattle during the same period each year, thirty-three, or 91.7 percent, made larger purchases in the fall. One operator purchased the majority of his feeder cattle during the winter months and two made their largest purchases during the spring months. The availability of feeder cattle played a role in

this decision as the large runs of calves occurred during the autumn months. Twenty-one operators, or 50 percent of the sample, stated that the price of feeder cattle, relative to the present expected price of fat cattle, was also a determinant in their purchase decision.

Sources of Market Information

Feedlot operators were asked to disclose their sources of market information about the feeder cattle market and were questioned regarding the adequacy and accuracy of the market information which they received from their sources

As Table 6.29 points out, 25.9 percent of the feedlot operators in the sample saw market information as a problem with respect to their purchase of feeder cattle. This group was not localized in any particular region or size category, but rather, was distributed throughout the sample. Canfax was used by 16.7 percent of the sample as a source of market information. The radio market report was utilized by 83.3 percent and 83.3 percent also made regular trips to the auction market or terminal market as a means of obtaining feeder cattle market information.

TABLE 6.29

SOURCES OF MARKET INFORMATION FOR FEEDLOT OPERATORS

	Percent of Sample Using Various Sources of Market Information
Canfax	16.7
Radio Livestock Report	83.3
Visit Auction and Terminal Market	83.3
Consultation with packer buyers	18.6
Telex	3.7
Auction market newsletter	9.3
Local or regional newspaper	9.3
National livestock magazines	22.3
Livestock market review	1.9
Consultation with other cattlemen	14.9
Consultation with order buyers	42.6
International livestock magazines	5.6

Third in popularity after the radio livestock report and personal visits to the auction market or terminal market was consultation with order buyers. Of 64.8 percent of the sample which preferred the order buyer channel for the purchase of feeder cattle, 42.6 percent relied on their order buyer as a source of market information.

With respect to the quality of information, and the

availability of market information, 88.9 percent of the feedlot operators stated that they were receiving adequate amounts of market information and 85.2 percent felt that they were receiving accurate information.

Suggestions to Improve Market Information

Several suggestions were made as to how market information could be improved, although 64.8 percent of the sample could suggest no improvements for the present system. Ten feedlot operators, 18.5 percent, suggested that a more concise definition of the product be implemented, and that prices should be quoted on the basis of this more concise description. These operators felt that the inclusion of the weight, breed, sex and condition of the animal would substantially improve the meaningfulness and credibility of market reports. One feedlot manager suggested that increased distribution of statistics regarding beef cow numbers, and, especially cattle on feed in both Canada and the United States would be of benefit too as it would aid feedlot operators in the area of long term planning. Seven feedlot managers (13.0 percent) cited the increased use of Canfax as a method of improving market information. They noted the effectiveness of Canfax at the present time relative to its potential if a larger percentage of the producers of feeder cattle and fed cattle were subscribers to Canfax. One feedlot operator felt that the market

information system would be improved if the available information were distributed more quickly to the people in the industry.

Forward Contracting for the Purchase of Feeder Cattle

In order to determine the amount of contracting taking place in the study area and the terms under which such contracts were executed, the feedlot operators in the sample were asked if they had utilized contractual arrangements (either written or oral) to purchase feeder cattle and, if so, the terms of the contract. Six, or 11 percent, had purchased cattle by written contract and nine, or 16.7 percent, had utilized an oral contract.

Under written contracts, the time between the signing of the contract and delivery of the cattle varied from six to twenty-four weeks with the average being 14.3 weeks. Under oral contracts, the time between the agreement and the delivery of the cattle varied from two to fifty-two weeks with the mean time being 13.6 weeks.

Fifty percent of those using written contracts took 3 percent shrink, 33.3 percent took an overnight stand and 16.7 percent took no shrink. Of those using oral contracts, 55.6 percent took 3 percent shrink, 22.2 percent took an overnite stand and 22.2 percent took no shrink. In 16.7 percent of the cases of feedlot operators using written

contracts, the buyer paid the transportation charges to the feedlot. In 83.3 percent of the casas, the buyer and seller shared transportation charges to the feedlot, with the seller paying for transportation to the weighing point and the buyer paying transportation from the weighing point to the feedlot. Under oral agreements, the buyer paid all transportation charges in 22.2 percent of the cases. In 33.3 percent of the cases, the seller paid all transportation charges and in 44.5 percent of the cases, the transportation charges, were shared under the arrangement described above. Under written contracts, 50 percent of the feedlot operators took a 10 percent cut on the cattle and 50 percent took no cut. Under oral contracts, 11.1 percent of the feedlot operators took a 5 percent cut, 55.6 percent took a 10 percent cut, 11.1 percent took a 15 percent cut and 22.2 percent took no cut.

All the feedlot operators utilizing written contracts took both heifers and steers, making no distinction with respect to sex. Of those using oral contracts, 77.8 percent took both steers and heifers and 22.2 percent took only steers.

The delivery time for all feedlot operators using either written or oral contracts was the autumn months. Approximately 20 percent (22.2 percent) of the total sample stated that they expected to use written contracts in the

future. Approximately 24 percent (24.1) of the sample expected to use oral contracts. In the majority of cases, the contract was established on the basis of market value at the time of contract. In other cases it was established on the expected future price, the market price at delivery time, or the price in the United States.

Several feedlot operators had suggestions for those using contracts. The most popular suggestion was to use written contracts, and make sure all terms of the contract were clear. Feedlot operators also suggested that price be established on a per pound basis rather than on a per head basis.

Private Treaty Purchases

Twenty-seven producers, or 50 percent of the sample, had at some time in the past purchased cattle directly from the producer. Terms of these purchases were similar to the terms applied by those using contracts. Nine feedlot operators, or 33.3 percent of those who had purchased cattle by private treaty, took an overnight stand. One, or 3.7 percent, took no shrink. Seventeen, or 51.8 percent, took 3 percent shrink and 11.1 percent took 4 percent shrink. In 33.3 percent of the cases, the buyer paid transportation: in 33.3 percent, the seller paid transportation; and in the remaining 33.3 percent of the cases, transportation was paid

by both buyer and seller.

Approximately 26 percent (25.9) took no cut, 3.7 percent took a 5 percent cut, 59.2 percent took a 10 percent cut, 3.7 percent took a 15 percent cut and 7.4 percent took a 20 percent cut. Delivery was taken between one day and two weeks after the agreement was made with the average being 5.3 days.

Commercial Feedlots

Approximately 61 percent (61.1) of the feedlots surveyed were commercial feedlots with varying percentages of the cattle being fed on a custom basis. Table 6.30 outlines the percentage of cattle which were fed on a custom basis by the twenty-one commercial feedlots in the survey.

When asked about their customers, eleven of the thirty-three commercial feedlot operators stated that they had a regular clientele. Commercial feedlot operators suggested several reasons why customers chose their particular lot over any other. Eleven of the commercial feedlots engaged in some form of advertising. Nine stated that the management of the feedlot and its past performance had a great deal to do with its ability to attract customers. Two felt that their location was important.

TABLE 6.30

Percentage of Cattle Custom Fed in Commercial Feedlots

Percentage of Custom Fed Cattle	Number of Feedlots
2	1
5	2
15	2
25	1
30	1
40	1
50	4
60	2
65	2
75	1
80	1
90	1
95	3
100	11

When asked on what basis their customers made the choice to put cattle on feed, fourteen saw the price of feeders as an important determinant. Only nine felt that the supply of barley had an influence on the decision to feed cattle. Three feedlot operators cited the income tax

considerations of their customers as influencing the decision to purchase and feed cattle.

Forward Contracting for the Sale of Fed Cattle

Only three feedlot operators used the futures market, two as speculators and one as both hedger and speculator. Reasons for not using the futures market were many, but the fact that operators were simply not convinced of its usefullness was cited most often. A number of operators (twelve) said that they were not familiar with its function. Eight operators felt that they had a built-in hedge in their operation in that they were buying and selling on a continual basis. Five stated that they did not feel the Winnipeg Market was viable. The thinness of the Winnipeg Market made it too susceptible to manipulation. Two stated that the Winnipeg delivery point had been a deterrent to them.

Interviews with Auction Market Managers

The Sample

Seven auction markets located in the study area were used as a sample for this part of the study. One auction market was located in the Western Region, three were located in the Central Region and three were located in the Eastern Region. Six of the markets were privately owned and one was operated as a cooperative. It was found that differences in the operations of the markets were more a function of the type of ownership, private or cooperative, than they were a function of the location of the market.

The size of each auction market in the sample was measured in terms of the number of cattle and calves which it handled. The smallest auction market in the sample sold 8,000 head of cattle and calves in 1971; the largest auction market sold 65,631. The total number of cattle and calves handled by the seven auction markets in the sample was 218,846,[1] An average of 31,264 head per auction market.

The manager of each auction market was asked to estimate what percentage of the total number of cattle and calves sold through his market in 1971 were feeder cattle. One estimated the percentage of feeder cattle to be 70

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[1] Unpublished statistics of the Regulatory Services Branch, Alberta Department of Agriculture.

percent; two estimated the feeder cattle percentage to be 75 percent; two estimated the feeder cattle percentage to be 80 percent; and two estimated the feeder cattle percentage to be 85 percent. The number of feeder cattle handled by all auction markets in the sample was determined to be 170,835. This number represented 78 percent of the total number of cattle and calves handled by the seven auction markets in the study.

Using the above procedure, the number of finished cattle handled by all seven auction markets in the survey was determined to be 27,759. This number represented 13 percent of the total number of cattle and calves marketed through the seven auction markets in the study. The remaining 9 percent consisted of cows, bulls and baby calves.

All auction market managers designated the autumn months as the period during the year when particularly large numbers of feeder cattle were sold through their markets. Four managers saw the spring months as another period during which large numbers of feeder cattle were sold through their markets. Fed cattle sales were noted to be reasonably steady throughout the year, although several auction market managers had experienced larger runs of fed cattle during the spring months.

Five markets were selling a larger percentage of feeder

cattle in 1971 than in previous years. Two markets noted little change from previous years. All seven were expecting a larger number of feeder cattle in the future, but two markets were expecting the percentage of feeder cattle to be slightly lower. These markets were expecting the percentage of fed cattle sold through the market to increase.

Effective Market Area

Five markets considered their local market area to consist of the area within a twenty-five mile radius of the market. Two of the auction markets felt their local market area to be within a 100 to 150 mile radius of the market. Three market operators felt that they were handling 20 to 25 percent of the feeder cattle in the local market area. One operator felt this percentage to be between 35 and 40 percent. One felt 50 percent to be a reasonable estimate, and two felt that they handled 75 percent of the feeder cattle in the local area.

Most of the auction market managers felt that other auction markets were their main competition with respect to the sale of feeder cattle in their area. All managers acknowledged that some private treaty sales were taking place in their local region, but none felt that private treaty sales were a serious factor in this market. Moreover, auction market managers felt that prices

discovered at the auction market provided the basis for the private treaty sales taking place in their effective market area.

Tables 6.31 and 6.32 illustrate the locations from which the auction markets received consignments for their sales. The majority of the calf and light feeder consignments came from the local areas although several markets did draw from more distant points in Alberta as well as points in B.C. and Saskatchewan. Several markets had large drawings of medium and heavy feeder cattle from outside the local market area, but for most markets the majority of medium and heavy feeder cattle were consigned from within the local area.

Tables 6.33 and 6.34 illustrate the destination of feeder cattle which were consigned to the markets in the study. Out-of-province buyers played a substantial role in the purchasing of calves and light feeder cattle, although the major portion of these classes were destined to points in the local market area or points in Alberta. A large percentage of the medium and heavy feeder classes were returned to feedlots in the local market area or within Alberta, with a few going to Manitoba and Ontario.

TABLE 6.31

Source of Calves and Light Feeder Cattle

Auction Market	Local[1]	Alberta	B.C.	Out of Province Sask.	Man.	Ont.
	Percent	Percent	Percent	Percent	Percent	Percent
A	80	10	5	5		
B	98	2				
C	90		8	2		
D	100					
E	100					
F	90	10				
G	90			10		

[1] In those markets which were located near the Saskatchewan border, the local area sometimes included an area in Saskatchewan. In these cases those cattle which come from areas within the local were included under the heading rather than under the Saskatchewan heading.

TABLE 6.32

Source of Medium and Heavy Feeder Cattle, 1971

Auction Market	Local[1]	Alberta	B.C.	Out of Province Sask.	Man.	Ont.
	Percent	Percent	Percent	Percent	Percent	Percent
A	70	10	10	10		
B		99		1		
C	90		8	2		
D	100					
E	100					
F	90	10				
G	10			90		

[1] Ibid.

TABLE 6.33

Destination of Calves and Light Feeder Cattle, 1971

Auction Market	Local[1]	Alberta	B.C.	Out of Province Sask.	Man.	Ont.
	Percent	Percent	Percent	Percent	Percent	Percent
A	100					
B	50	50				
C	75					25
D	15	25				60
E	-	80		5		15
F		40			10	50
G	10	80				10

[1] Ibid.

TABLE 6.34

Destination of Medium and Heavy Feeder Cattle, 1971

Auction Market	Local[1]	Alberta	B.C.	Out of Province Sask.	Man.	Ont.
	Percent	Percent	Percent	Percent	Percent	Percent
A	100					
B	80	20				
C	100					
D	75	25				
E	5	90				5
F		85			10	5
G	95	5				

[1] Ibid.

Exchange Efficiency

An adequate amount of accurate market information is prerequisite to the efficient function of any exchange system. It is the purpose of this section to discuss the market information system employed by the auction markets in the study with a view to exposing areas of exchange inefficiency which may be the result of an inadequate market information system. With the same objective in mind, the method with which the auction market performs the exchange functions and the level of competition within the auction

market system will also be discussed.

Distribution of Market Information

Auction market operators employed various information services in an effort to attract buyers and sellers to their market. These are summarized in Table 6.35. All market operators utilized newspaper and radio advertising in some form. All operators utilized the telephone to make personal contact with either buyers or sellers or both. Three markets utilized handbill advertising for specialty sales. Two markets advertised in local and national agricultural publications.

Three markets distributed a market information letter, either weekly or, in the case of one market, after each sale. All market letters described the weights , classes and quality of cattle on offer during the previous weeks' sale and quoted minimum, average and maximum prices for the classes and quality of cattle on offer. Distribution of the letter was different for each market. One market sent the letter to all buyers and sellers of cattle over the last two years. Another sent the letter to the local news media and various other interested institutions and individuals in the Province. The third market distributed the letter to buyers and potential buyers, other market operators and the news media.

TABLE 6.35

Information Distribution Methods Employed by Auction Markets

	A	B	C	D	E	F	G
Newspaper	Once Weekly	Once Weekly	Once Weekly	Specialty Sales	Specialty Sales	Specialty Sales	Once Weekly
Radio	6 Days Weekly	4 Days Weekly	6 Days Weekly	5 Days Weekly	6 Days Weekly	Specialty Sales	6 Days Weekly
Television	-	-	-	-	-	-	
Handbill	Specialty Sales	-	-	-	Specialty Sales	Specialty Sales	Specialty Sales
Market Information Letter	Once weekly to buyers and potential buyers, other market operators		Once weekly to every buyer & seller within previous two years.			After each sale to news media and interested individuals	-
Local and National Agr. Magazines	Canadian Cattlemen Focus on Beef	-	Canadian Cattlemen Focus on Beef	-	-	-	
Telephone Contact	Buyers Occasionally	Buyers & Sellers Prior to Sale	Buyers & Sellers Prior to Sale	Buyers & Sellers Prior to Sale	Buyers & Sellers Prior to Sale	Buyers & Sellers Prior to Sale	Buyers & Sellers Prior to Sale
Personal Visit	-	-	Buyers & Sellers	-	-	-	Buyers & Sellers

All auction market managers were in favor of a system in which market information would be distributed by a central agency. All stressed the importance of the report being an accurate account of events carried out at the market. Three managers felt that the reporting would have to be undertaken by an independent reporter, likely someone associated with

the Government, in order for the report to have credibility. The Auction Market Association was at that time making an attempt to have statistics associated with auction markets reported in the Canada Department of Agriculture's Livestock Market Review . All managers felt this to be a positive initial step.

Two managers alluded to the need for a standardization of descriptive terms before market information regarding other than fed cattle was to be of real use. These two indicated interest in a feeder cattle grading system as they felt that price quotations would be most useful, only if the type or class of animal in question was positively identified.

Methods Used by Auction Markets to Obtain Market Information

Auction market managers used various methods to obtain information. Six managers had discussions with other market owners. Six managers made regular visits to other markets. One manager bought cattle from other markets to fill orders which he could not fill at his own market. All managers followed the local newspaper which usually provided information on local markets, and the Calgary Terminal Market. Two managers utilized the Canada Department of Agriculture's Livestock Market Review

Performance of Exchange Functions

In all seven markets, the ringman started the bidding if a bona fide buyer did not open the bidding. Auction market managers or employees bid on cattle only if they had orders to fill. In all markets, the consignor was allowed either a reserve bid or the last bid on the cattle. In no case was the consignor allowed more than one bid.

Only one market ever guaranteed prices to a consignor and this was done only in those cases where the manager knew he had a buyer for the cattle in question. No markets ever made guarantees of any type to buyers.

No private treaty sales were allowed on the premises of any of the markets, although several managers acknowledged the fact that a few private treaty sales were being made on the premises. In detected cases, a selling commission was charged.

In six markets the cattle were weighed just before entering the ring. In the seventh market, the cattle were weighed just after they were sold. Most cattle sold through the market were delivered to the market the night before. They were therefore sold with an overnight shrink. Five markets sold full animals in the same manner as others, that is, with no pencil shrink. Buyers at these auction markets were left to make their own adjustment in price if they

deemed it necessary.

Level of Competition

Table 6.36 outlines the average number of buyers and sellers on an average sale day, the range in each auction market, and the range between the seven auction markets in the study. The average number of buyers for all markets was nineteen, with a range of between six and fifty buyers. The average number of sellers for all markets was fifty-nine with a range of between thirty and one hundred sellers.

TABLE 6.36

Number of Buyers and Sellers At A Sale

Auction Market	Buyers Average	Buyers Range	Sellers Average	Sellers Range
A	10	5-15	70	20-125
B	20	10-30	50	40-60
C	25	5-40	100	50-150
D	10	8-20	100	50-180
E	6	3-20	30	10-40
F	50	30-70	30	10-50
G	15	5-25	35	10-100
Total	136		415	
Average	19		59	
Range	6 to 50		30 to 100	

Most market managers felt that the number of buyers at a sale was not an important factor with respect to the viability of the sale. Far more important was the mood of the buyers; that is, their willingness to buy the cattle on offer. The number of cattle was, on the other hand, felt to be a very important determinant of the success of a sale. Six market managers cited 300 head as the minimum number of cattle required to make a viable sale. Only one market purchased cattle to ensure that an adequate number were on offer for a particular sale.

CHAPTER VII

SUMMARY OF RESULTS, CONCLUSIONS AND RECOMMENDATIONS

Chapters I through V provided the background for a study into the feeder cattle market in Southern Alberta. Chapter I outlined the importance of the beef system in Canada and determined a plan for the study to follow. Chapter II, in providing a theoretical framework, discussed those aspects of marketing with which the study was concerned. Chapter III discussed the Alberta beef cattle industry in the context of both the Canadian beef system and the larger North American market. Chapter IV described the results of research efforts in beef cattle marketing in Canada and the United States. Chapter V reviewed statistically the Alberta cattle market with a view to exposing an historical pattern of marketing in the Province. Chapter VI described feeder cattle marketing in southern Alberta from the view of the producer, the feedlot operator, and the marketing agent. In considering the three phases of the feeder cattle market, one was able to discuss more objectively the positive aspects and the disadvantages of the market as it existed.

It is the purpose of this chapter to summarize the results of Chapter VI under the headings of structure, strategy, and performance, and,in so doing draw several

conclusions as to problems that exist in the system at the present time. In the last section of this chapter, several recommendations will be forwarded, which, it is thought, would help to alleviate some of the existing problems.

Summary of Survey Results

Structure of The Feeder Cattle Market in Southern Alberta

Concentration Ratio -- Although concentration ratios tended to be very low among the producer segment of the industry, a concentration was noticeable among the feedlots in the area. The auction market system displayed a relatively high degree of concentration, with two markets selling over 50 percent of all cattle sold through the auction markets in the study area.

Product Differentiation -- Producers were able to differentiate their product slightly by developing a reputation for quality cattle and this differentiation was recognized to some degree by feedlot operators in the area. Auction markets utilized various promotional techniques in an attempt to differentiate their product, and this too was recognized to some degree by producers and feedlot operators.

Barriers to Entry -- Few, if any, barriers to entry existed at the producer level. Capital requirements and

technical ability tended to be a barrier for both auction markets and large feedlots.

Economies of Scale -- Economies of scale existed for feedlot operators. Auction market operators also realized economies of scale especially in the area of advertising and promotion. Economies of scale at the producer level were questionable if they existed at all.

Strategy in the Market

Producers, and feedlot operators to a slightly lesser degree, functioned in what was effectively a competitive market structure. For this reason, their options were limited with respect to the establishment of a strategy. Auction markets, because of the oligopolistic environment in which they functioned, enjoyed a greater degree of flexibility regarding the establishment of a strategy. In all sectors of the market, non price considerations were more important than pricing decisions in forming a competitive strategy.

Pricing Strategy

Producers employed a form of pricing strategy in making the decision as to which marketing channel to utilize. Auction markets were the most preferred marketing channel

because, it was felt that the larger number of buyers and the auction method of selling were a positive influence on the price. This reasoning was also employed by those who utilized the terminal market.

The price spread between steers and heifers was something producers did not accept although it was considered quite reasonable by the feedlot operators. Heifers were harder to handle and finished out at a lesser weight then steers. Also, the feedlot operator received less for fed heifers than he did for fed steers.

The practice of certain buyers of discounting the price of off-color animals appeared unexplainable from either the producer or the feedlot operator point of view.

Operators of commercial feedlots did not appear to use pricing strategy as a major area of competition.

Auction market managers too, did not use price tactics extensively in forming a competitive strategy.

Non Price Strategy

Producers attempted to increase the price which they received for their cattle by utilizing the non price variables of color, uniformity, condition and shrink in an attempt to differentiate their product. Well established

producers relied upon their reputation for quality cattle in an attempt to increase the price they received. Preconditioning of feeder cattle was another non price variable used by producers.

Commercial feedlot operators relied heavily upon their reputation in an attempt to encourage an increased cliental.

Non price strategy was a major area of competition for the auction markets. Auction markets offered numerous extra services in an attempt to attract both consignors and buyers including: contacting both buyers and sellers, personally and by telephone; arranging for transportation; improved facilities; newspaper, radio and television advertising; and advertising in national agricultural publications.

Performance

Exchange Efficiency -- Exchange efficiency, which is measured on the basis of how accurately prices reflect costs, depends in large part upon the adequacy and accuracy of market information.

The radio livestock market report and personal visits to the auction provided the major source of market information for both producers and feedlot operators. Only 3 percent of the producers and 17 percent of the feedlot operators subscribed to Canfax. Few obtained market

inforamtion from the Commission Agent although the Calgary Terminal Market was still a popular marketing channel for producers in the Western Region.

Although a majority of producers and feedlot operators were receiving adequate amounts of accurate market information, they offered many suggestions as to how market information might be improved. Most of the suggestions related to the accuracy of the information; that is, a more precise definition of the product and the association of prices with this more accurate definition. Several noted the importance of an average price weighted by the number of cattle and their weight rather than the price quotation system which was being utilized.

Producers were very concerned about buyer competition. The main motivation for selling feeder cattle through the auction market and the commission firm was to take advantage of increased buyer competition.

There was some disagreement between producers and feedlot operators as to the premium which was paid for preconditioned feeder cattle. Only 10 percent of the producers stated that tney were receiving a premium for preconditioned cattle, whereas 31 percent of the feedlot operators stated that they were at the present time paying, or were willing to pay a premium, if the cattle could be guaranteed preconditioned. In the area of preconditioned

cattle, it would appear that costs were not reflected in the prices received.

The practice of discounting off-color animals appeared to be unwarranted.

Operational Efficiency

As was discussed in chapter II, operational efficiency and exchange efficiency are often inversely related. Such was the case in this market. The increased tencency of producers to utilize the auction market channel had a positive influence upon the exchange aspect of market efficiency, but it also had a definite negative influence upon the operational aspect of market efficiency. Selling cattle through the auction market contributed to increased shrink on cattle resulting from a long haul or a long stand prior to being sold. Although it is most difficult to measure, the stress factor was likely increased when selling cattle through the auction market. Other selling methods, such as private treaty sales and direct sales, were, with respect to operational efficiency, superior to the auction market, but exchange efficiency was to some degree sacrificed by employing other marketing alternatives. Although the preconditioning of feeder cattle would increase operational efficiency in the market, there appeared to be some confusion as to what exactly constituted a

preconditioned animal. Producers considered a preconditioned animal to be one which had been weaned, dehorned, castrated, vaccinated for blackleg, and had received some type of treatment for warbles. Feedlot operators agreed in part with this definition, but were less concerned with castration and more concerned with vaccination for shipping fever. Neither producers or feedlot operators were interested in creep feeding to any degree.

Feedlot operators showed a preference for feeding steers rather than heifers. It was felt that heifers caused more handling problems and did not produce as good a carcass.

In terms of operational efficiency, the direct selling method was the most preferable.

Conclusions

In surveying the feeder cattle market in southern Alberta, the study arrived at several conclusions:

1. The trend appeared to be toward increased use of the auction market by producers selling feeder cattle. As outlined above, this trend implied increased exchange efficiency in the market at the cost of operational efficiency. A supplementary observation was that producers

seemed unable to determine competition in the market unless they could physically see it happening.

2. Preconditining was desirable to both producers and feedlot operators, but there was a difference in opinion between the two with respect to what constituted preconditioning and what constituted reasonable remuneration for this service. Before feedlot operators would pay for preconditioning, it had to be defined in their terms. The feedlot operators' definition of preconditioning included weaning, vaccination for shipping fever, vaccination for blackleg, dehorning and warble treatment.

3. Forward contracting of feeder cattle was not a popular practice at the time of the study and was not expected to be popular in the future. One problem was identification of the product, but more important was the fact that both producers and feedlot operators had had undesirable experiences in the past.

4. The existing methods of identifying feeder cattle appeared inadequate and this was reflected in the accuracy of market information which was available. Marketing agents were the only beneficiaries under the present system.

5. Auction market letters were useful as a source of market information but would be more useful if they were disseminated more widely and included a more precise

definition of both cattle and prices.

6. Canfax was not utilized extensively in the study area.

7. The practice of the auction markets of starting the bidding could be considered an area of potential exchange inefficiency. This practice tended to establish a floor price, especially among inexperienced buyers.

8. Producers appeared to be selling culled cows directly rather than fattening them before sale. This would appear to be different from what has been the practice in the past.

Recommendations

Given the above summary, the following recommendations are suggested with a view to improving the efficiency of the feeder cattle market in southern Alberta:

1. The development and implementation of a feeder cattle identification system. The system would include variables such as breed, sex, weight, condition, and a factor for preconditioning.

2. The increased use of a market information letter by auction markets.

3. Statistics from the auction markets should be

included in the Canada Department of Agriculture's Livestock and Meat Review.

4. Increased accuracy in the system of reporting feeder cattle sales. Price quotations which were tied to weight categories would be an improvement if average prices and weights were also reported. Price quotations associated with the feeder cattle identification scheme proposed above would be the ideal. It is also recommended than the reporting function be undertaken by an independent body; that is, the Provincial Government of the Alberta Cattle Commission.

5. Increased participation of an independent body in the weighing of cattle being sold would be a positive influence on operational efficiency and would help to alleviate the criticism of producers with respect to the weighing practices at auction markets.

6. Increased use of Canfax by producers, feedlot operators and auction market managers. If the complaints regarding Canfax are legitimate, they will only be eliminated through increased subscription by all parties concerned.

7. The Provincial horn tax be re-instituted for cattle weighing less than 700 pounds. Whereas the losses associated with dehorning large cattle are high, calves can

be dehorned with little expense and few losses.

8. It is suggested that this preliminary study be used as the basis for a larger, more comprehensive study to be undertaken for the Province. For this larger study, the Province would be divided into four regions, each regional study being undertaken by an individual research team.

With a few alterations, the format used in this study would be applicable. The suggested alterations are as follows:

A. The producer phase of the study be undertaken using a personal interview rather than a mailed questionnaire. The amount of money spent would be similar and the resulting data would be far superior.

B. The three questionnaires used in this study be re-written in order to make them easier to code. The questions asked on the questionnaires were appropriate, but they were very difficult to analyse.

C. An interdisciplinary approach be utilized in further studies. Representation from Rural Sociology in particular would be most helpful. It would appear that the decision to use a specific marketing channel is many times based on social

criteria rather than economic criteria.

It is suggested that further studies into the feeder cattle market attempt to quantify the "market power wedge" concept which was forwarded in Warrack's "A Conceptual Framework For Analysis of Market Efficiency".

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APPENDIX A

TARIFF STRUCTURE FOR LIVESTOCK

	Under 200 lb.		200-699 lb.	700 lb. & over				
	200,000 lb. quota	over quota		400,000 lb. quota	over quota	Dairy cows 700 lb. & over	Purebred livestock	Fresh or frozen beef or veal
Canada To U.S.A.								
1959 to 1962	1 1/2¢/lb.	2 1/2¢/lb.	2 1/2¢/lb.	1 1/2¢/lb.	2 1/2¢/lb.	1 1/2¢/lb.	--	--
1963 to 1972	1 1/2¢/lb.	2 1/2¢/lb.	2 1/2¢/lb.	1 1/2¢/lb.	2 1/2¢/lb. maximum of 120,000 lb. per quarter	1 1/2¢/lb. 1968 1.3¢/lb. 1969 1/2¢/lb. 1970 1¢/lb. 1971 .9¢/lb. 1972 .7¢/lb.	free	3¢/lb.
U.S.A. To Canada								
1959 to 1962	1 1/2¢/lb.	2 1/2¢/lb.	2 1/2¢/lb.	1 1/2¢/lb.	2 1/2¢/lb.	1 1/2¢/lb.	--	--
1963 to 1972	1 1/2¢/lb. no quota	--	1 1/2¢/lb.	1 1/2¢/lb. no quota	--	1 1/2¢/lb. 1968 1/2¢/lb. 1969 free (June 4/69) 1970 free 1971 free 1972 free	free	3¢/lb.

APPENDIX B

MARKETING INSTITUTIONS: DEFINITION OF TERMS

Newberg, in his series of research publications entitled Livestock Marketing in the North Central Region[1] Has defined the types of markets or marketing channels used by producers in selling livestock. The following are a definition of those markets or marketing channels which are utilized by producers in trading cattle and calves:

Terminal Public Markets -- These markets are referred to as public stockyards, central public markets or terminal markets. Livestock is consigned to commission firms for selling at these markets. Two or more commission firms must operate on such a market. A stockyard company owns and maintains the physical facilities such as yards, alleys, scales, loading and unloading docks, office buildings, facilities for feeding and watering livestock. Individuals, partnerships, corporations, and cooperative associations operate as commission agencies on terminal public markets.

Auctions -- Auctions also may be called sale barns, community sales, or community auctions. Livestock auctions receive livestock and sell to buyers on a auction basis.

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[1] Richard R. Newberg, op.cit.

Bidding and selling are open to the public. They may be owned privately by individuals, partnerships, corporations or cooperative associations.

Country Dealers -- These are independent operators who buy and sell livestock. They may resell the livestock to any of the outlets used by farmers. Country dealers also may be referred to as local dealers, truck buyers, travelling buyers, traders or in some areas, scalpers or pinhookers. Most of their dealing is with farmers. Trading usually is done at the farmer's home. Local markets differ from dealers primarily in the place of purchase. Dealers purchase primarily at the farm while local markets buy mostly at their own yards.

Packer Buyers -- Packer buyers are employed by slaughterers. They travel in the country and buy livestock from the farmer, usually in his own feedlot. The farmers check for the stock is drawn on the packing company. If the buyer issues his own pay check, he is assumed to be acting as a country dealer.

Packing Plants and Buying Stations -- Livestock may be sold by a farmer to the slaughtering plant or to yards owned and operated some distance away from the slaughtering plant. The farmer gets the cheque from the packing company. These

outlets are called packing plants or packer buying stations.

Order Buyers -- Order buyers act as agent of livestock buyers in procurement of livestock. Most commonly they buy through terminal markets or auctions or from dealers and local markets. However, they also occasionally act as the agent of the buyer in purchase of livestock directly from farmers. In procuring livestock, order buyers are sometimes authorized to execute a draft on the funds of the purchaser. However, they commonly pay with their own cheque. If the agent takes title to the livestock and pays with his own cheque, he is acting essentially as a dealer.

Other Farmers -- One farmer may sell breeding or feeding stock to another farmer. This includes auction sales which a farmer may hold when liquidating all his livestock and other farm assets when he is going out of business or for similar reasons.

Locker Plants and Retailers -- Occasionally farmers sell a few head of livestock to local locker plants or to a store which retails the meat itself.

Special Type Auctions -- Special auctions are held primarily for feeder calves and cattle. Generally these sales are held at infrequent intervals.

Cooperative Shipping Associations -- These organizations, which are owned and operated by farmers, assemble livestock from farmers, load the livestock and ship cooperatively by rail or truck to a market, usually where the selling function is performed by commission men. The primary function of cooperative shipping associations is assembling and forwarding livestock.

Cooperative Selling Associations -- These are cooperatives which operate much like the cooperative shipping association, but generally they perform more services in obtaining bids on livestock, selecting outlets for livestock and providing information for the farmers. The precise functions they perform vary from one area to another.

APPENDIX C

CONFIDENTIAL

ALBERTA FEEDER CATTLE MARKETING STUDY

ALL REPLIES ARE CONCERNED WITH THE YEAR, 1971

A. Do you consider your principle agricultural enterprise as: (Place an x in the correct box).

a) Cow-calf operation - sell calves _____
b) Cow-calf operation - sell yearlings _____
c) Buy young calves and sell them as feeders _____
d) Cattle fattening operation _____
e) Dairy _____
f) Other (please specify) _____

_____

B. Size and Location of Operation.

1. Location of nearest city of town _____
2. Distance from farm to above center _____ miles.
3. How many cattle did you market last year? (Please check the correct boxes)

		Less Than 12	12-32	33-47	48-100	101-199	200-499	500 and over 500
a)	Calves (less than 400 lb.)							
b)	Light feeders (Steers, heifers & bulls 400 to 600 lbs.)							
c)	Medium feeders (Steers, heifers & bulls 600 to 800 lbs.)							
d)	Heavy feeders (Steers, heifers & bulls over 800 lbs.)							
e)	Cows							
f)	Finished cattle (Steers, heifers & bulls)							

C. Method of Marketing Feeder Cattle - During 1971, how did you market your feeder cattle? (Please indicate in the appropriate box the number of cattle sold through each agency).

		Location of Selling Agent							
		Town or City	Miles From Market To Your Farm	Calves Less Than 400 lbs.	Light Feeders 400-600 lbs.	Medium Feeders 600-800 lbs.	Heavy Feeders Over 800 lbs.	Cows	Finished Cattle (Steers Heifers & Bulls)
a.	Local Auction Market								
b.	Packer Buyer 1. Sale at farm								
	2. Sale at Plant								
c.	Direct to Feed Lot Operator								
d.	Order Buyer								
e.	Commission Firm								
f.	Fed Out In Custom Feedlot								
g.	Fed Out In My Own Lot								

h. Which of the marketing methods outlined above do you feel to be the most satisfactory? Why? _____

_____

_____

i. Please outline any problems you have had with any of the above marketing channels. (Use the back of this page if your require further space).

D. General

1. Management Practices

A. Do you undertake the following with your calves? (yes or no)

How long before the animal was sold was this done?

a) creep feed? _____ _____

b) wean before date of sale? _____ _____

c) dehorn? _____ _____

d) castrate? _____ _____

e) warble control _____ _____

f) vaccinate for shipping fever _____ _____

g) vaccinate for blackleg _____ _____

B. What determines the time of year you sell your calves? (Place an X beside the correct statement).

a) Price of calves _____
b) Sell at approximately the same time each year _____, when? _____
c) Weight of calves _____
d) Other (please specify) _____

_____

C. Do you feel that a premium is paid for calves that are pre-conditioned?

_____

If so, how much is the premium generally? _____

E. Market Information

1. What information system do you utilize to ensure that you are receiving a fair price? (Yes or No)

a) Canfax _____
b) Radio livestock report _____
c) Visit the auction or terminal market _____
d) Other (please specify) _____

_____

2. By using the information system (systems) outlined above, do you feel you are receiving? (Yes or No)

a) Adequate amounts of information _____
b) Accurate information _____

3. What suggestions would you make to improve market information?

_____

_____

F. Contracting Arrangements

	By Written Contract	By Oral Contract or Understanding
1. Have you ever sold cattle: (yes or no)		
2. How long before delivery was the contract made?		
3. What were the terms of the contract?		
a) Shrink (%, overnight, or no shrink		
If % shrink, what %		
b) Transportation by buyer or seller		
c) % cutbacks allowed		
d) Heifers only or steers only		
e) Month(s) of delivery		
4. Do you expect to use contracts in the future? (yes or no)		

5. On what basis was the price established? _____

_____

6. What suggestions would you make to those using contracts? _____

_____

_____

G. Complete this portion of the questionnaire only if you market cattle directly to a buyer; that is, you do not utilize the terminal market or auction market.

1. What are the selling arrangements?
   a) Shrink (%, overnight or no shrink) _____
   If % - what % _____
   b) Transportation by buyer or seller _____
   c) % cutbacks allowed _____
   d) How long after the sale was delivery made _____

H. Please use this space to make any further comments regarding the marketing of feeder cattle in your area. (Use the back of this page if you require more space).

APPENDIX D

FEEDLOT SURVEY

Confidential

ALBERTA FEEDER CATTLE MARKETING STUDY

All Replies are Concerned with the Year 1971

A. Size and Location of Operation

1. Location of nearest commercial center _____
2. Location of nearest packing plant _____
3. Distance from feedlot to packing facilities _____
4. Number of finished cattle marketed last year. (= number of feeder cattle purchased)

	Less Than 500	500-999	1000-2499	2500-4999	More Than 5000
Fed Heifers					
Fed Steers					
Fed Bulls					

Feedlot Capacity _____ head.

B. Method of Acquiring Feeder Cattle

During last year, how did you acquire your Feeder Cattle?

(Please list the number of cattle bought through each agency in the correct boxes).

	Location of Buying Agent Town	Miles From Town to Your Farm	Calves Less Than 400 lbs.	Light Feeders 400-600	Heavy Feeders 600-800	Other
a) Terminal						
b) Local Auction						
c) Packer						
d) Direct purchase from producer						
e) Order Buyer						
f) Raised your Own						
g) Other (How)						

Which of the purchasing methods outlined above do you feel to be the most satisfactory? Why? _____

_____

_____

_____

Please outline briefly any problems you have had with any of the above marketing channels. _____

_____

_____

_____

C. Management at Producer Level

1. Do you prefer feeder animals which have undergone any of the following:

a) Creep fed _____
b) vaccinated for shipping fever _____
c) vaccinated for blackleg _____
d) weaned prior to sale date _____
e) dehorned _____
f) castrated _____
g) treated for warbles _____
h) other _____

2. Do you pay a premium for preconditioned feeders? _____

If so, how much? _____

Would you pay a premium for preconditioned animals? _____

How much? _____

D. Management at Feedlot Level

1. Do you feel any of the following to be a problem with respect to your purchase of feeder cattle.

a) feeder cattle availability _____
b) feed availability _____
c) market information _____
d) other _____

2. Market information.
What information system do you utilize to ensure that your feeders are purchased at a fair price?

a) Canfax
b) Radio livestock report
c) Visit auction market and terminal
d) Other _____

By using the information system (systems) outlined above, do you feel you are receiving

a) adequate amounts of information
b) accurate information

What suggestions would you make to improve market information?

_____

_____

3. What determines the time of year you buy feeders?

a) Buy and sell on continual basis
b) Buy at approximately the same time each year _____
When? _____
c) Price of feeders?
d) Availability of feeders? _____

Does the fact that packing plants and feed mills hedge fat cattle prices by custom feeding have any effect on your operation? _____
What effect? (eg. when you buy feeders) _____

_____

E. Contracting Arrangements

	By Written Contract	By Oral Contract or Understanding
1. Have you ever purchased cattle: (yes or no)	_____	_____
2. How long before delivery was the contract made?	_____	_____
3. What were the terms of the contract?		
a) Shrink (%, overnight, or no shrink	_____	_____
If % shrink, what %	_____	_____
b) Transportation by buyer or seller	_____	_____
c) % cutbacks allowed	_____	_____
d) Heifers only or steers only	_____	_____
e) Month(s) of delivery	_____	_____

4. Do you expect to use contracts in the future? (yes or no) _____

5. On what basis was the price established? _____

_____

6. What suggestions would you make to those using contracts? _____

_____

_____

F. Complete this portion of the questionnaire only if you purchase cattle directly from the producer; that is, you do not utilize the terminal market or auction market.

1. What are the selling arrangements?

a) Shrink (%, overnight or no shrink) _____

If % - what % _____

b) Transportation by buyer or seller _____

c) % cutbacks allowed _____

d) How long after the sale was delivery made _____

G. Custom Feedlot Operators

If you are operating a commercial feedlot, fill out the following.

Percent of total which are custom fed. _____

Terms of feeding contract:

a) Surcharge per day per head? _____

b) Owner purchases feed? _____

c) Owner purchases bedding? _____

d) If price per pound of gain, what is the levy? _____

e) Guaranteed gain? _____

f) Are cattle inspected before being accepted in the lot? _____

g) Can owner use his own barley? _____

h) Who rolls barley (grain) and at what charge? _____

i) What determines the price the customer is paid for his barley? (grain)

_____

Of the cattle on feed for a year, what % are fed for people who supply their own barley? _____%

In your opinion, what determines whether or not people put cattle in your feedlot?

1. price of feeders _____
2. glut of barley (low price) _____
3. advertising _____
4. speculation (city dwellers) _____
5. other (please specify) _____

_____

Do you use the futures market?

Hedger_____

Speculator_____

If you do not use the futures market, why? _____

_____

What suggestions do you have for improving its function? _____

_____

H. Please use this space to make any further comments regarding the purchase of feeder cattle in your area. (Use back of this page if you require more space).

APPENDIX E

Confidential

Auction Market Survey

Name of Auction Market _____

Address _____

Name of Operator/Owner _____

Length of Ownership _____ years

A. General Information

1. Sale dates

	M	Tu	W	Th	F	S
a) Feeders Calves (Less than 400 lb.)	—	—	—	—	—	—
Light, Medium & Heavy (Greater than 400 lb.)	—	—	—	—	—	—
b) Finished Cattle	—	—	—	—	—	—
c) Cows, Bulls	—	—	—	—	—	—
d) Other (pigs, sheep, horses)	—	—	—	—	—	—

2. Number of cattle sold

a) Total cattle sold last year (1971) _____

b) What percentage of these were feeders? _____

c) During what months were sales particularly high? _____

_____

d) What percentage were finished cattle? _____

e) During what months were sales high? _____

_____

3. With respect to the report sent to the Livestock Brand every month, how do you define:

a) Feeder cattle _____

b) Calves _____

4. Source of feeder cattle

	Calves	Light Feeders	Medium Feeders	Heavy Feeders
Local				
Alberta				
Out of Province				
	100%	100%	100%	100%

5. Destination of feeder cattle

	Calves	Light Feeders	Medium Feeders	Heavy Feeders
Local				
Alberta				
Out of Province				
	100%	100%	100%	100%

6. a) What local towns would you consider to be included as part of your local market area (market boundary).

_____

b) What percentage of the feeder cattle being sold within the above area are being sold through your market? _____

c) How and where are the rest being sold? _____

_____

B. Advertising

1. What advertising methods do you utilize? How Often?

Newspaper _____ _____

Radio _____ _____

Television _____ _____

Handbill _____ _____

Market Information Letter _____ _____

Other _____ _____

_____

_____

2. Which of the above is the most effective in attracting consignors to your market? _____

Attracting buyers? _____

3. Do you or any agent or employee contact sellers in an attempt to gain their business _____ Describe _____

_____

4. Do you or any agent or employee contact buyers in an attempt to gain their business _____ Describe _____

_____

5. Do you arrange for transporting livestock to the auction? _____

Describe _____

6. What else do you do to encourage business? _____

_____

_____

C. Market Information

1. If you distribute a market information letter:

   a) Who is on the mailing list? (Could we have a copy?) _____

   b) What information is included? _____

      1. Number of head sold previous week? _____

      2. Prices? _____

      3. Trends or outlook? _____

      4. Other _____

      _____

2. What other ways do you use to provide your consignors and sellers with information about your market? _____

   _____

   _____

3. Would you be in favor of a system whereby market information from the auction markets is gathered and distributed by a central agency? _____

   Comments: _____

   _____

   _____

   _____

4. What other ways might be utilized to improve the accuracy and adequacy of market information available from the auction markets to those who utilize the market? _____

   _____

   _____

   _____

5. What systems do you utilize to compare the prices and numbers of other markets with yours?

   a) Discussion with other owners? _____

   b) Visit to other markets? _____

   c) Other _____

   _____

D. Selling Procedures

	Average	High	Low
1. How many buyers do you have on an average sale day?			
2. How many sellers (consignors) do you have on an average day?			

3. Who starts the bidding? _____

4. Do you or one of your employees bid if you feel buyers are too low? ___

5. Can the seller:

a) Submit a reserve bid? _____

b) Bid himself? _____

c) Submit the last bid? _____

d) Other (WRT Bidding)? _____

6. Do you ever guarantee prices to a consignor? _____

7. What guarantees do you provide the buyers? _____

8. Do you permit private treaty sales in your facilities?

Before the sale? _____

After the sale? _____

9. When are the livestock weighed?

If on arrival, do you take a pencil shrink? _____

How much? _____

What is your procedure with full animals? _____

10. How many buyers, sellers, and animals do you require to make your sale a viable one.

buyers _____

sellers _____

animals _____

11. Do you ever purchase livestock to ensure an adequate number are available?

_____

12. Any further information re selling procedures? _____

_____

_____

E. History and Trends in Feeder Cattle Marketing

1. Have you handled more feeder cattle in your market in recent years?

_____

2. If so, do you expect the trend to continue? _____

_____

3. What do you feel regarding the future of contracting in feeder cattle marketing? _____

_____

_____

4. Other comments regarding future trends in feeder cattle markets. _____

_____

_____

_____

_____